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Agenda item 134
Proposed programme budget for the biennium 2016-2017

Section 13, International Trade Centre

Second report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2016-2017

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the proposed programme budget of the International Trade Centre (ITC) for the biennium 2016-2017 (A/70/6 (Sect. 13)/Add.1/Rev.1). During its consideration of the report, the Committee met with the Executive Director of ITC and representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 8 October 2015.

2. Pursuant to the arrangements set out in General Assembly resolution 59/276, a simplified budget fascicle was submitted in document A/70/6 (Sect. 13), with a preliminary estimate to accommodate the programme of activities of ITC for the biennium 2016-2017. In its first report on the proposed programme budget for the biennium 2016-2017, the Advisory Committee recommended that, without prejudice to its consideration of the detailed proposed programme budget for ITC for the biennium, the General Assembly take note of the resources proposed in the preliminary budget estimate (A/70/7, chap. II, para. IV.105).

3. Information on the estimated resource requirements of ITC for the biennium 2016-2017 is provided in table 13.3 of the budget document (A/70/6 (Sect. 13)/Add.1/Rev.1). The budget is to be funded equally by the two parent organizations of ITC, the United Nations, acting through the United Nations Conference on Trade and Development (UNCTAD), and the World Trade Organization (WTO).

4. The proposed resources for the biennium 2016-2017 for section 13 amount to SwF 73,397,600 before recosting, which is the same as the revised appropriation for the biennium 2014-2015. After recosting, the proposed net resource requirement amounts to SwF 75,101,700, which takes into account the projected miscellaneous income for the biennium, amounting to SwF 400,000.[1] The net contribution of each

[1] The proposed overall resources for the biennium 2016-2017 amount to SwF 75,501,700 (after recosting).

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parent organization of ITC is therefore estimated at SwF 37,550,850 (i.e. 50 per cent of SwF 75,101,700) (see A/70/6 (Sect. 13)/Add.1/Rev.1, para. 13.31 and table 13.3).

5. The regular budget resources for the biennium 2016-2017 would be supplemented by projected extrabudgetary resources amounting to approximately $126.0 million, equivalent to SwF 119.7 million (ibid., para. 13.32). A total of 20 posts, funded from extrabudgetary sources (ibid., table 13.4), are proposed, as in 2014-2015.

Posts

6. According to the supplementary information provided to the Advisory Committee, an amount of SwF 56,743,300 is proposed, before recosting, under post resources for the continuation of 160 posts (91 in the Professional and higher categories and 69 in the General Service and related categories) (ibid., para. 13.49), which is the same as the post resources for the biennium 2014-2015.

Comments on non-post resources

7. As indicated in the supplementary information, the overall estimate for non-post resources for 2016-2017 amounts to SwF 16,654,300, the same as the revised appropriation for 2014-2015. In the overall non-post requirements, an increase under consultants (SwF 400,000) is offset by decreases under other staff costs (SwF 150,000), general operating expenses (SwF 150,000) and supplies and materials (SwF 100,000).

General operating expenses

8. The supplementary information provided by the Secretary-General indicates that a reduction of SwF 150,000 is proposed under general operating expenses, owing to lower costs for local and international telephone charges. The Advisory Committee was informed upon enquiry that, as a result of a revised service contract negotiated by the United Nations Office at Geneva for all Geneva-based offices, the telecommunications expenditures for mobile and fixed-line telephone charges had been significantly reduced. The provisions in the revised contract included a uniform rate of SwF 120 per mobile telephone per month compared with an average monthly cost of SwF 258 per mobile telephone under the earlier contractual arrangement. It was also indicated that, under the earlier contractual arrangement, ITC had fallen outside an umbrella agreement for the Geneva-based United Nations entities, and therefore was unable to derive the full benefits of the discount allowable under that agreement. The Committee was further informed that, in view of the reduction in mobile and fixed-line telephone charges, the related resources proposed for 2016-2017 were lower than the level approved for the biennium 2014-2015.

9. The Advisory Committee enquired as to the effect of the reduced telecommunications charges on other Geneva-based United Nations entities. The Committee was provided with the relevant information concerning section 29F, Administration, Geneva and section 24, Human rights. It was indicated that the projections for telecommunications expenditures in the two sections under the proposed programme budget for the biennium 2016-2017 had not been reduced in the light of the reduced telecommunications charges. The Committee was further informed that the effects of reduced charges were fully offset under section 29F by increases resulting from the increase in the number of users for both fixed-line and

mobile telephones, and under section 24 by increases in telecommunications costs in the field offices. **The Committee expects that further information in this regard, in respect of all other Geneva-based entities of the United Nations, will be provided to the General Assembly at the time of its consideration of the proposed programme budget for the biennium 2016-2017.**

Official travel

10. The supplementary information further indicates that an amount of SwF 678,300 is proposed for official travel for the biennium 2016-2017, which is the same as that appropriated for 2014-2015. Consistent with its review of the proposed programme budget of other sections, the Advisory Committee sought information with respect to compliance by ITC with the requirement for advance purchase of tickets.[2] The Committee was informed upon enquiry that in 2014 ITC had purchased 31 per cent of its tickets for official travel 16 days or more in advance of such travel. For the period from January to August 2015, the corresponding rate was 43 per cent. **The Committee notes the low level of compliance by ITC with the requirement for advance booking and purchase of tickets, particularly in view of its predominantly predictable travel requirements. The Committee expects that immediate steps will be taken to ensure compliance with this requirement, leading to a more efficient use of funds allocated for official travel.**

General comments

Simplified budget procedures

11. The Secretary-General indicates that, in response to the request made by the Advisory Committee to simplify the administrative arrangements so as to require a single review of the budget proposal by the Committee in the year preceding the financial period, consultations were held with the relevant representatives of the United Nations and WTO. Further to those consultations, he proposes that, starting with the biennium 2018-2019, ITC no longer submit a simplified fascicle as stipulated in the current administrative arrangement. ITC would continue to submit the proposed programme budget in detail to the review bodies, the General Assembly and the WTO General Council in the fourth quarter of the year preceding the financial period. To ensure their inclusion in the Secretary-General's proposed programme budget for the biennium concerned, the proposed resource requirements for ITC would be indicated both in Swiss francs and the United States dollar equivalent in the Foreword and introduction to the proposed programme budget (see A/70/6 (Sect. 13)/Add.1/Rev.1, paras. 13.27 and 13.28). **The Committee welcomes the simplified budget procedure proposed by ITC and trusts that the programme budget for the biennium 2018-2019 proposed by the Secretary-General will contain the relevant information as indicated.**

[2] In accordance with United Nations staff rule 7.8 and the administrative instruction on official travel issued by the United Nations Secretariat (ST/AI/2013/3), all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of commencement of official travel.

Establishment of a liaison arrangement in Addis Ababa

12. It is proposed that, during the biennium 2016-2017, ITC strengthen its engagement with least developed countries, landlocked developing countries, small island developing States, sub-Saharan African countries, countries in situations of conflict and post-conflict countries and countries with small, vulnerable economies by establishing a liaison arrangement in Addis Ababa. An office in Addis Ababa was intended to enhance resource mobilization opportunities and help continue building relationships with field-based donor representatives and other strategic partners, including the private sector, for priority countries and regions (ibid., para. 13.22). ITC proposes that the office be headed by a D-1, with the post funded from the regular budget and redeployed from the Office of the Executive Director, and that, as indicated in the supplementary information provided to the Advisory Committee, the head of the office in Addis Ababa be responsible for ensuring greater presence, continuity and impact of ITC programmes in countries that demanded the largest share of its resources. The Committee was informed upon enquiry that the proposed office in Addis Ababa would include in its staffing, in addition to the D-1 post mentioned above, one Associate Officer at the P-2 level and other project staff, funded by voluntary contributions. **The Committee welcomes the new liaison arrangement in Addis Ababa.**

Outreach

13. The Advisory Committee was informed upon enquiry that the outreach efforts of ITC were accomplished through several means including: an online learning centre for small and medium-sized enterprises, started in September 2014; its website, publications programme and social media; significant events such as the annual World Export Development Forum and the annual Trade for Sustainable Development Forum; and meetings of the Executive Director and Deputy Executive Director with regional and country groups. **The Committee encourages ITC to continue to enhance the effectiveness of its outreach to beneficiaries.**

Strategic plan and funding

14. It is stated in the proposed budget document that ITC has adopted a strategic plan for 2015-2017, developed through a consultative process, which sets out a vision of growth by concentrating interventions around six focus areas (ibid., para. 13.14). The focus areas are aligned with the Sustainable Development Goals and described in paragraph 13.15 of the proposed budget. It is also indicated that demand for ITC technical assistance continues to outpace available resources, which has led ITC to find innovative ways to deliver its assistance (ibid., para. 13.21). The Advisory Committee was informed upon enquiry that ITC interventions in the six focus areas would be supported by both regular budget and extrabudgetary resources. The Committee was further informed that, taking into account the relatively stable level of resources provided by the regular budget, ITC would increasingly leverage voluntary contributions in order to step up delivery within those areas and to meet the demands of its beneficiaries. **The Committee encourages ITC to broaden its donor base in order to support and sustain its programmes.**

15. The Advisory Committee was informed that, following the end of the previous cycle, the current strategic plan cycle of ITC for 2015-2017 had been developed to respond to the emerging Sustainable Development Goals and the arrival of a new

leadership team. The Committee was further informed that, by developing a three-year strategic plan for 2015-2017, ITC sought alignment with the quadrennial comprehensive policy review of operational activities for development of the United Nations system, which covered 2014 to 2017.

Conclusion

16. **The Advisory Committee recommends that the General Assembly approve the proposed budget under section 13, International Trade Centre, of the proposed programme budget for the biennium 2016-2017, taking into consideration its comments in paragraph 10 above.**

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Eighth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction and background

1. The Advisory Committee on Administrative and Budgetary Questions has considered the eighth progress report of the Secretary-General on the adoption of the International Public Sector Accounting Standards (IPSAS) by the United Nations (A/70/329). During its consideration of the report, the Advisory Committee met with the representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 14 October 2015.

2. The Advisory Committee recalls that the General Assembly, in its resolution 60/283, approved the adoption of IPSAS by the United Nations. The Committee also recalls that the Secretary-General submitted progress reports on the adoption of IPSAS to the Assembly in 2008 (A/62/806), 2009 (A/64/355), 2010 (A/65/308), 2011 (A/66/379), 2012 (A/67/344), 2013 (A/68/351) and 2014 (A/69/367). In his eighth progress report, the Secretary-General reviews the activities relating to the implementation of IPSAS at the United Nations and the relevant organizations of the United Nations system during the reporting period (1 September 2014-31 August 2015). The report announces the successful implementation of IPSAS at the United Nations and provides an outlook regarding the longer-term sustainability of IPSAS compliance for the Organization. Background information on the project is provided in paragraphs 1 to 3 of the report.

3. In the introduction to his report, the Secretary-General indicates that during the reporting period, the United Nations, excluding peacekeeping operations, issued its first set of IPSAS-compliant financial statements for the financial year ended 31 December 2014 and received an unqualified audit opinion from the Board of Auditors. It is also indicated that at the time the report was issued, the Organization was on track to issue its second IPSAS-compliant financial statements for

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peacekeeping operations for 2015 by 30 September 2015. Furthermore, two other organizations, the Food and Agriculture Organization of the United Nations and the World Tourism Organization are reported to have issued their first IPSAS-compliant financial statements for the financial year ended 31 December 2014, which means that all 24 organizations of the United Nations system have become IPSAS-compliant.[1] In this regard, the Advisory Committee notes that the Board of Auditors, in its summary report on principal findings and conclusions contained in its reports for the annual financial period 2014, indicates that overall, the delivery of IPSAS-compliant financial statements for all United Nations entities has been a significant achievement. The Board adds, however, that the ultimate test of success will be to further develop and sustain a strong financial function to prepare high-quality financial statements, underpinned by more accurate data from financial systems (A/70/322, para. 24).

4. **The Advisory Committee commends all entities of the United Nations system for the successful implementation of IPSAS and for receiving unqualified audit opinions on their IPSAS-compliant financial statements. The Committee is of the view that, having achieved this important milestone, much work still remains to harness the benefits of IPSAS to the achievement of greater efficiency, effectiveness and accountability in the management of their resources.**

II. Implementation of IPSAS at the United Nations

Overview

5. Information on the implementation of IPSAS at the United Nations is contained in paragraphs 5 to 79 of the report. The Secretary-General outlines major project milestones that were achieved during the reporting period, in particular the issuance of the first IPSAS-compliant financial statements for each of the 13 financial reporting entities of the Secretariat[2] and the endorsement of the IPSAS benefits realization plan

[1] The following 24 organizations of the United Nations system have adopted IPSAS. In 2008: World Food Programme; in 2010: International Civil Aviation Organization; International Maritime Organization; International Telecommunication Union; Pan American Health Organization; United Nations Educational, Scientific and Cultural Organization; United Nations Industrial Development Organization; World Intellectual Property Organization; World Meteorological Organization; in 2011: International Atomic Energy Agency; Universal Postal Union; in 2012: International Labour Organization; United Nations Development Programme; United Nations Population Fund; Office of the United Nations High Commissioner for Refugees; United Nations Children's Fund; United Nations Office for Project Services; United Nations Relief and Works Agency for Palestine Refugees in the Near East; United Nations Entity for Gender Equality and the Empowerment of Women; World Health Organization; Joint United Nations Programme on HIV/AIDS; in 2014: Food and Agriculture Organization of the United Nations; United Nations; World Tourism Organization.

[2] The United Nations Secretariat issues 13 sets of financial statements: the operations of the United Nations, as reported in volume I, United Nations peacekeeping operations, as reported in volume II, International Trade Centre, United Nations University, United Nations Institute for Training and Research, United Nations Compensation Commission, United Nations Environment Programme, United Nations Human Settlements Programme, United Nations Office on Drugs and Crime, International Tribunal for the Former Yugoslavia, International Criminal Tribunal for Rwanda, International Residual Mechanism for Criminal Tribunals and United Nations escrow account established under the provision of Security Council resolution 1958 (2010).

by the Management Committee in the third quarter of 2014 in order to ensure that the new information furnished through IPSAS is utilized to better manage the Organization (see para. 7 below). The Secretary-General also indicates that at the operational level, the period saw a continued emphasis on providing guidance through formal communications, instructor-led training and computer-based training modules. According to the report, the successful issuance of IPSAS-compliant financial statements marks the end of the implementation phase of the IPSAS project and the beginning of the post-implementation phase, which will be defined by longer-term efforts to sustain IPSAS compliance in the day-to-day operations throughout the Organization.

Main pillars of the IPSAS sustainability plan

6. In his report, the Secretary-General defines "sustainability" as the ultimate goal to embed Organization-wide structures and processes that provide support for ongoing IPSAS compliance and make IPSAS part of day-to-day operations. Figure IV of the report presents a timeline of the major milestones of the sustainability phase, which runs from the planned deployment of the benefits realization plan in 2015 up to the transition to Umoja as the book of record, as well as the system of record for property, plant, equipment and inventory in peacekeeping operations in 2017. In this regard, the following five major components have been identified as the core pillars of the IPSAS sustainability plan:

(a) IPSAS benefits management;

(b) Strengthening of internal controls Organization-wide;

(c) Managing the IPSAS regulatory framework to implement changes in the Standards, as well as drive related changes to systems; monitoring the work of the IPSAS Board;

(d) Supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting, and to automated financial statements through Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy focused on developing talent for analysis of the financial information triggered by IPSAS.

Management of IPSAS benefits

7. As indicated in paragraph 40 of his report, the Secretary-General, since initially proposing the adoption of IPSAS (see A/60/846/Add.3), has identified five major benefit categories, namely (a) alignment with best practices; (b) improved stewardship of assets and liabilities; (c) availability of more comprehensive information on costs; (d) improved consistency and comparability; and (e) increased transparency and accountability in which benefits are expected to materialize. In paragraph 41 of his report, the Secretary-General states that a formal IPSAS benefits realization plan has been developed and comprises 15 originally envisaged benefits to be realized across the five above-mentioned major strategic benefit categories. For each benefit, one or several major performance indicators have been defined to measure progress towards its realization. The plan was endorsed by the Management Committee in the third quarter of 2014 and welcomed by the General Assembly in its resolution 69/262. The Secretary-General also indicates that the

deployment of a reporting and tracking mechanism will begin in the third quarter of 2015, first for peacekeeping entities and then for non-peacekeeping entities. Moreover, some benefits, such as the achievement of compliance with international best practices in accounting; improved management, accountability and control over assets; more comprehensive information on the Organization's costs; and improved consistency in applying accounting policies, have already been identified. In this regard, the Advisory Committee notes that the financial statements it has reviewed since the adoption of IPSAS have been more detailed and have been presented with useful financial ratios which facilitate comparison of performance between financial periods and across entities. However, in his report, the Secretary-General indicates that longer-term benefits, in particular related to financial decision-making and longer-term financial risk management, will require several financial periods to better assess trends and subsequently use the analysis of these trends for decision-making purposes.

8. In paragraph 44 (b) of his report, the Secretary-General indicates that the Management Committee, in its review of financial statements information, decided to keep inventory turnover under review. Upon enquiry, the Advisory Committee was informed that inventory turnover was the average number of days taken to sell or consume inventory, the two main categories being: strategic reserves for peacekeeping operations, such as strategic deployment stocks, fuel reserves, rations and bottled water; and non-financial inventories. According to the information provided, the inventory turnover ratio for strategic reserves was 0.35 (representing 1,052 days) in 2013/14 and 0.46 (representing 788 days) in 2014/15. The inventory turnover ratio for non-financial inventory was 0.50 (representing 737 days) in 2013/14 and 0.54 (representing 682 days) in 2014/15. It was explained that the apparent low turnover rate for strategic reserves was influenced by their being held in storage until such time as they were issued to field missions for consumption, while the low turnover rate for non-financial inventories resulted from increased safety stock levels determined by field missions' specific supply-chain parameters, such as procurement lead times, unpredictable operating environments and local market conditions. It was further explained that, while standard industry ratios existed, they could not be applied without due regard to the unique operational environment of the United Nations. In this regard, the Committee was informed that the key to understanding the optimal level of inventories for peacekeeping operations would be the use of trend analysis, while taking into account variations in local conditions at specific locations. **While taking note of the explanation provided for the low inventory turnover ratios, the Advisory Committee is nevertheless of the view that the particular operating environment of the United Nations, especially in peacekeeping, should not be used as an excuse to justify inefficient inventory management policies and practices that may expose the Organization to the increased risk of inventory damage and obsolescence. The Committee considers that, in addition to trend analysis, these inventory turnover ratios merit further analysis and comparison with the turnover ratios of other organizations.**

9. Upon further enquiry, the Advisory Committee was informed that as part of the comprehensive data cleansing exercise related to the implementation of IPSAS, the Accounts Division had reviewed all extrabudgetary contributions receivable that had been outstanding for two or more years as at 31 December 2013. The Committee was informed that, as at that date, the contributions receivable in that

category had been established at $451 million. The Committee was also informed that, as a result of the review, an allowance for doubtful debts had been established at $1.2 million, while an amount of $1.1 million had been proposed for write-off. As for the financial year 2014, the Committee was informed that voluntary contributions outstanding for two or more years at 31 December 2014 had amounted to $361 million and after review, an allowance for doubtful debts had been established at $1.6 million. **The Advisory Committee notes that, with the implementation of IPSAS, the management of voluntary contributions receivable seems to have improved and, in that regard, expects that the status of long-outstanding voluntary contributions will continue to be monitored closely.**

10. In paragraph 45 of his report, the Secretary-General indicates that additional information about IPSAS benefits realization will appear as the process of preparing IPSAS-compliant financial statements matures Organization-wide, combined with the full deployment of Umoja. **In this regard, the Advisory Committee recalls its earlier comments, in which it stressed the role of managers in ensuring the delivery of IPSAS benefits throughout the United Nations and expressed the view that further benefits should continue to be explored as the implementation of IPSAS progresses (A/69/414, para. 25). The Committee stresses that the real benefit of IPSAS to the Organization will not only be the issuance of more accurate and reliable financial statements but also the ways in which IPSAS standards will be embedded in the day-to-day work processes throughout the Organization and in which the information furnished will be used to manage the Organization's resources more efficiently and effectively.**

Strengthening internal controls

11. In his report, the Secretary-General indicates that IPSAS implementation has already led to the tightening of processes and procedures, in particular those related to asset management, employee benefits expenses, implementing partnerships and grants management, and that sustaining IPSAS compliance requires a review to ascertain the effectiveness and comprehensiveness of the wider internal control framework. In paragraph 51 of his report, the Secretary-General also indicates that, as a basis for its approach, the United Nations will use the internal control-integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and that the Organization's Statement on Internal Controls is planned for deployment in the financial period 2017/18 for peacekeeping and in the financial year 2018 for non-peacekeeping operations covering all business areas of the United Nations Secretariat.

12. Upon enquiry, the Advisory Committee was informed that the COSO framework had five components, namely, control environment, risk assessment, control activities, information and communications, and monitoring activities. The Committee was also informed that the framework comprised 17 principles underpinning the five components, providing clarity for the user designing and implementing systems of internal control. In addition, the framework emphasized the importance of management judgement in assessing, designing, implementing and conducting internal control. In this regard, the Committee was informed that the implementation of the Organization's internal control framework would take into consideration the deployment of Umoja and the mapping of its existing internal

control elements against COSO components and principles in order to close any gaps between the two.

13. **The Advisory Committee looks forward to receiving information on the implementation of the Organization's internal control framework in future reports to the General Assembly.**

Umoja processes and transition arrangements

14. In his report, the Secretary-General indicates that the ongoing customization and adjustment of Umoja will be another crucial enabler and pillar towards longer-term IPSAS sustainability. The Secretary-General also explains that having an adaptable information technology system for which sufficient staff possess the accounting and financial background, as well as technical understanding of the system architecture, has been the focus during the initial design phase of Umoja and will continue to be an area of utmost importance. He further explains that even after Umoja is rolled out, considerable work will still be required on the mapping of finance processes and ensuring their compliance with IPSAS. Such processes include the management of property, plant and equipment; the accounting treatment of extrabudgetary contributions; and the management of the Umoja-Integrated Management Information System (IMIS) interface and the eventual change of the book of records from IMIS to Umoja. Furthermore, the Secretary-General indicates that work will continue on the updating of the accounting manual that blends IPSAS policies with Umoja processes and guides the user in the processing of accounting transactions within Umoja.

15. Figure II of the Secretary-General's report highlights the delayed implementation of Umoja as the remaining high-impact risk to the IPSAS project. Upon enquiry, the Advisory Committee was informed that the Umoja risk could be broken down into the following individual risks: (a) the delayed deployment of Umoja cluster 4; (b) processes not in place for recording and updating property, plant and equipment; and (c) the continued reliance on a multiplicity of legacy systems as transitional measure and not having Umoja perform all the transactions from the beginning to the end. This, according to the information provided, was the Organization's most significant risk. **In this regard, the Advisory Committee recalls the concern expressed by the General Assembly in its resolution 68/247, section II, paragraph 13, about the continued slippage in the implementation of Umoja and the significant risk this poses for the successful implementation of IPSAS and the realization of its expected benefits. In addition, the Committee reiterates its concern about the high level of risk involved in the continued transfer of data across multiple systems for the purpose of preparing financial statements (A/69/414, para. 18).**

16. On a related matter, the Advisory Committee notes from the observations of the Board of Auditors that some residual issues related to previous deployments of Umoja, which could have an impact on the financial statements, still remain. In its fourth annual progress report on the implementation of Umoja (A/70/158, para. 31), the Board observes that at the end of March 2015, there were an estimated 37,650 unreconciled accounts payable items relating to transactions processed by the Regional Service Centre at Entebbe, Uganda. This state of affairs, according to the Board, indicates that the number of unreconciled items has increased compared with the 27,000 items reported as at April 2014 (A/70/158, para. 27), suggesting that the

root causes of these issues may not have been addressed adequately despite the Administration's efforts. Upon enquiry, the Committee was informed that, in order to address these issues, which were considered temporary, the Administration had increased the provision of support to the Regional Service Centre through weekly video teleconferences with Headquarters and dispatched a team to Entebbe in May 2015 to guide and provide support for the clearance of the unreconciled items. The Committee was also informed that, as a result of that support, the number of unreconciled accounts payable items had been reduced to 12,344 by the end of July 2015. **The Advisory Committee expects that issues such as unreconciled accounts payable will continue to be monitored closely even as the implementation of Umoja progresses to the next phase.**

17. During its consideration of the Secretary-General's report, the Advisory Committee received information from the Controller indicating that the delivery of the financial statements of the United Nations for the year 2015, as will be reported in volume I (see para. 5 above), would be delayed by two months, beyond the statutory deadline of 31 March 2016, to 31 May 2016. According to the information, the revised timeline has been necessitated by the delays related to the decommissioning of IMIS, which is the system of record for the financial statements, on 17 October 2015, and the three-week "blackout" period before the cluster 4 roll-out of the Umoja system, on 9 November 2015. It was explained that, in addition to the three-week delay, the timeline for the preparation of financial statements would be adversely impacted by the subsequent ramp-up activities and the stabilization of operating processes in the period following the roll-out.

Training and skills development

18. According to figure III of the Secretary-General's report, 11,800 staff members had received basic awareness training by 30 June 2015 compared with the original target of 10,000. Similarly, 9,900 staff members, compared with the 7,500 originally projected, had received working-level training; 3,555 staff members, compared with 2,900, had received intermediate training; and 332 staff members, compared with 500, had received advanced training. The table shows that the advanced training targets finance staff directly involved in the preparation of financial statements. The report indicates that initiatives during the post-implementation phase will focus on professionalizing the finance function with highly skilled managers who will provide support to all business areas with more analysis and the use of IPSAS information for decision-making. The report also states that the Board of Auditors has recommended that entities consider the need for a more structured and formalized approach when it comes to the skills development of the finance function, to challenge and provide advice to the business (see A/69/155, para. 18), as has been done by some organizations within the United Nations system. In response to the Board's recommendation, it is indicated that, in consultation with the Office for Human Resources Management, a suitable qualification programme will be developed for the Organization. **The Advisory Committee notes the planned initiative to professionalize the finance role by developing a cadre of highly skilled financial managers. The Committee looks forward to receiving detailed information on the outcome of this programme in future reports to the General Assembly.**

Project budget and expenditures

19. In paragraphs 76 to 79 of his report, the Secretary-General discusses the budget and expenditure of the IPSAS project, and presents the updated status of expenditure for the project from its inception in 2006 up to 30 June 2015. The Advisory Committee recalls that, in 2012 the indicative budget for the project was set at $27 million, comprising $12.8 million from the support account, $10 million from the regular budget and $4.2 million from extrabudgetary resources (see A/67/564, para. 17). In his report, the Secretary-General indicates that the project expenditure up to 30 June 2015, recorded as at 28 July 2015, is still within the indicative budget and amounts to $25.1 million, comprising $12.7 million under the support account; $8.5 million under the regular budget; and expenditure of $3.9 million under extrabudgetary funds incurred by regional commissions and offices away from Headquarters. The report indicates, however, that with sustainability activities expected to continue until the end of 2017, additional resources are projected in the amount of $3.3 million approved for 2015/2016 under the support account and $1.3 million requested for 2016-2017 under the regular budget. The Committee was informed, upon enquiry, that the resources approved under the support account comprised: $684,000 for four general temporary assistance positions (2 P-4, 2 P-3); $2.4 million under consultants; $240,000 under official travel; and $25,000 under other supplies, services and equipment. **The Advisory Committee notes that the reported expenditure for the project as at 30 June 2015 remains within the indicative budget estimate. As the project transitions to the post-implementation stage, the Committee expects that the continued investment in IPSAS training and skills development throughout the Organization will translate into the gradual transfer of IPSAS compliance responsibilities to the respective departments and field offices, and the reduced reliance on external consultants.**

III. IPSAS and the United Nations system

20. Paragraphs 80 to 88 of the Secretary-General's report relate to IPSAS activities throughout the United Nations system during the post-implementation phase of the project, now that all 24 organizations have successfully implemented IPSAS and received unqualified audit opinions on their IPSAS-compliant financial statements. It is indicated the United Nations system Task Force on Accounting Standards will continue to provide a platform where organizations share experiences and lessons learned. With the backing of the system-wide IPSAS project team, the Task Force will endeavour to support and sustain the organizations' IPSAS compliance through the following activities: (a) interacting with the IPSAS Board and providing feedback to the organizations; (b) providing guidance on matters of accounting policy; (c) organizing thematic focus groups to discuss specific technical issues in order to promote a better understanding of IPSAS; (d) managing the divergences in the interpretation of accounting standards owing to the differences in business models of the respective organizations, in order to enhance the comparability of United Nations system financial statements. The Task Force, with support provided by the IPSAS project team, has prepared suggested terminology for the statement of financial position and is currently working on suggested terminology for the statement of financial performance and a comparative analysis of accounting policies on assets.

21. The Advisory Committee trusts that every effort will be made to ensure the harmonization of the interpretation of accounting standards so as not to undermine the comparability of the financial statements of the organizations of the United Nations system.

IV. Actions to be taken by the General Assembly

22. Taking into account the observations contained in the preceding paragraphs, the Advisory Committee recommends that the General Assembly note the progress made since the issuance of the seventh progress report and that it request the Secretary-General to continue to report on the status of IPSAS implementation projects in the United Nations and throughout the United Nations system.

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Proposed programme budget for the biennium 2016-2017

Proposal for the seismic mitigation retrofit and life-cycle replacements project at the Economic and Social Commission for Asia and the Pacific premises in Bangkok

Fourth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2016-2017

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the proposal for the seismic mitigation retrofit and life-cycle replacements project at the Economic and Social Commission for Asia and the Pacific (ESCAP) premises in Bangkok (A/70/356). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 14 October 2015.

I. Background

2. In his first report on the strategic capital review (A/68/733), the Secretary-General indicated that one of the potential future capital projects would be the ESCAP secretariat tower, where fire safety, seismic, window replacement and space usage efficiency would need to be addressed (A/68/733, para. 28). In his next report on the subject (A/69/760), it was stated that a seismic mitigation project was proposed at ESCAP for the secretariat and service buildings, as those had been built in 1975 and did not meet the current seismic codes. The report indicated that the proposed project related primarily to health and safety, but also to the life-cycle replacement works that would be most economical to perform in conjunction with required seismic mitigation measures (A/69/760, paras. 39-40). The total cost of the proposed project was estimated at $26.2 million, with the following sequencing: $5.5 million for the 2018-2019 biennium; $5.9 million for the 2020-2021 biennium; $4.6 million for the 2022-2023 biennium; $5.1 million for the 2024-2025 biennium; and $5.1 million for the 2026-2027 biennium (ibid., figure 1).

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3. Subsequently, the Secretary-General's proposed programme budget for the biennium 2016-2017 included a request for resources in the amount of $9 million for costs related to the proposed first phase of the project, comprising the establishment of a project management team, consultancy costs and the start of construction work to create swing space (A/70/6 (Sect. 33), para. 33.45). In its first report on the proposed programme budget for the biennium 2016-2017 (A/70/7), the Advisory Committee recommended against the requested resources, noting that the prior report of the Secretary-General on the strategic capital review (A/69/760) had not included resource requirements for the biennium 2016-2017 and that the cost estimates were preliminary in nature, and considered that it was not appropriate to include them in the proposed programme budget for that biennium. The Committee also stressed that a consistent approach to presenting projects and related estimates must be adhered to and that proper justifications must be provided to substantiate the cost estimates and revisions (A/70/7, paras. XI.14 and XI.17-XI.19).

4. The Secretary-General also indicated in his proposed programme budget for the biennium 2016-2017 that detailed information on the scope, schedule and total cost of the proposed project would be presented to the General Assembly for its consideration at the main part of the seventieth session (A/70/6 (Sect. 33), para. 33.45). The Secretary-General accordingly submitted document A/70/356.

II. Scope of the proposed project

5. The report states that a seismic evaluation undertaken by a structural engineering consultant revealed the need to undertake extensive mitigation measures, particularly for the secretariat building, and to a lesser extent the service building, in order for the buildings to be compliant with the current design standards for seismic resistance necessary for the safety of users. In the seismic evaluation report, it was recommended that the secretariat building be structurally retrofitted at the core and on the exterior walls of the office blocks in order to meet current collapse-prevention performance standards. It was also recommended that some structural remedial measures be undertaken at the connection points between the secretariat and service buildings in order to meet current collapse-prevention performance standards (A/70/356, paras. 10-11).

6. According to the Secretary-General, given that the works would require the demolition of some existing building elements, the most cost-effective approach would be a renovation that also includes building components that have reached the end of their useful lives. The proposed scope would therefore entail a structural retrofit of the secretariat building and conjoined areas of the service building; repair of the exterior building façade and replacement of its glazing and insulation; replacement of the roof; alignment of the electrical and mechanical systems with the applicable building codes; modernization of the toilet areas; refurbishment of the adjoining elevator lobbies; other life-cycle replacements or upgrades of installations; and modernization of interior spaces (ibid., paras. 17-18).

7. Upon enquiry as to the seismic risk, the Advisory Committee was informed that ESCAP was considered a medium-high risk and that Bangkok, although located at a remote distance from seismic sources, was at risk of damaging earthquake ground motions. The Committee was also informed that active faults in Nakhon Nayok, close to Bangkok, coupled with the particular soil and bedrock characteristics

of the Bangkok area, magnified the seismic forces in the city, making the threat higher. In addition, the Committee was informed that specific deficiencies of the building at ESCAP relative to the identified threat level had prompted the Secretariat to prioritize the proposed project. The Committee was provided with the approximate peak ground acceleration, which provides a measurement of the ground shaking recorded by various instruments, for various United Nations entities, based on the probabilistic 10 per cent-in-50-years peak ground acceleration values, according to the seismic hazard analysis developed by the United States Geological Survey under its Global Seismic Hazard Assessment Programme:

ECLAC	1.76 g
ESCWA	1.33 g
ECA	0.45 g
UNOV	0.33 g
UNOG	0.32 g
ESCAP	0.22 g
UNON	0.20 g
UNHQ	N/A

Abbreviations: ECA, Economic Commission for Africa; ECLAC, Economic Commission for Latin America and the Caribbean; ESCAP, Economic and Social Commission for Asia and the Pacific; ESCWA, Economic and Social Commission for Western Asia; UNHQ, United Nations Headquarters; UNOG, United Nations Office at Geneva; UNON, United Nations Office at Nairobi; UNOV, United Nations Office at Vienna.

The Committee was also informed upon enquiry that, under the Mercalli instrumental intensity scale, the peak ground acceleration for ESCAP would be classified under "moderate potential damage to resistant structures" and "moderate/heavy potential damage to vulnerable structures". **The Advisory Committee is of the view that the Secretary-General should also have provided information on the official national standards in relation to the seismic threat.**

8. The Committee requested information on the specific works to be undertaken to address the seismic risk and was informed of three potential retrofit schemes presented by the structural engineering consultant: (a) add conventional steel braced frames at the ends of the building to absorb seismic forces, reduce stresses in the central core and reduce torsional effects; (b) add energy dissipation devices with associated steel frames at the ends of the building where major forces act and displacement takes place, including buckling-restrained braces; and (c) enclose the existing reinforced concrete core structure with a steel braced frame to absorb all horizontal forces. The Committee did not receive further information on the precise nature of the works that would be undertaken in the proposed project.

9. Upon enquiry as to the relation between the seismic and renovation components of the proposed project, the Advisory Committee was informed that the primary objective of the proposed project was to protect the building against seismic threats, with the benefit of performing renovation works concurrently in a cost-

effective manner. The Committee requested information delineating the seismic and renovation components of the proposed project and was instead provided with information on the following two components: seismic mitigation measures and renovation works, on the one hand, and life-cycle replacement works, on the other. The Committee did not receive information separating the seismic component from the renovation component, which would have clarified the linkage between the proposal and the primary objective.

10. **The Advisory Committee notes the conclusions from the seismic evaluation report regarding the seismic risk at ESCAP and regrets that the Secretary-General's proposal lacks clarity and specificity on the proposed construction works to address this risk. The Committee considers that the seismic threat bears serious consideration, and the proposal should have clearly delineated the works proposed to address the seismic risk and the works related to other components of the project, such as renovation works. From the current proposal, it is not clear that the scope of the proposed project is aimed primarily at addressing the seismic threat. Furthermore, given the primary objective of protecting the ESCAP building against seismic threats, the Committee is of the view that the report of the Secretary-General should have included an option to address the seismic risk, if considered urgent, on its own and not in combination with renovation, life-cycle replacement or other works, taking into account that those latter works would be considered in the context of the strategic capital review.**

11. The Committee was also informed upon enquiry that the project included the modernization of computer systems and network infrastructure components as part of the overall building systems upgrades. **The Committee is of the view that capital project proposals that have an information and communications technology component should include an assessment by the Office of Information and Communications Technology as to the necessity, design and cost of the proposed works.**

III. Schedule of the proposed project

12. The report of the Secretary-General indicates that the project plan has three phases: phase 1, assessment of the buildings' structure and condition, which was completed in 2014; phase 2, preparation of detailed design information, bills of quantities and technical specifications, leading to the development of the bidding documents; and phase 3, implementation of the renovation works. The project design, as well as the construction of the on-site swing space in ESCAP premises, are proposed to take place during the biennium 2016-2017, to be followed by the renovation taking place over the subsequent five bienniums from 2018 to 2027 (A/70/356, paras. 19 and 43-44).

13. It is proposed that the renovation works be conducted by emptying four floors of the secretariat building at one time and moving staff into swing spaces. The construction zone would be limited to two floors at a time, with one buffer floor above and below the construction zone, and the renovation of each floor expected to take approximately six months. Major disruptive works would be carried out after office hours and over the weekends. It is stated that approximately 5,000 square metres of swing space would be needed for the duration of the renovation, with

approximately 800 to 1,000 square metres within the Commission premises, and the additional 4,000 square metres being sought off-site, by requesting the host country to provide the necessary space and simultaneously engaging a real estate company to identify suitable commercially leased office space in Bangkok (ibid., paras. 38 and 40-42).

14. Upon enquiry as to the reason for the length of the proposed project over six bienniums, the Advisory Committee was informed that this was due to the proposed multiphase implementation method of emptying four floors of the secretariat building at a time to execute works while leaving the rest of the building occupied. The Committee was also informed that a single-phase implementation would take 60 months (5 years), or approximately half of the time currently projected with the multiphase implementation. The Committee was also informed that a single-phase implementation, that is, retrofitting the ESCAP secretariat building at one time by emptying all three buildings, was rejected in favour of the current proposal for the following reasons: the potential difficulty and cost of locating swing space to accommodate all staff; the need to provide security, information and communications technology, and conference services for the swing space; and the loss of rental income from tenants, such as the International Labour Organization and the United Nations Development Programme. The Committee requested data on the impact on project cost and length of conducting the major construction work outside office hours only and was informed that such data were presently unavailable. The Advisory Committee notes in this regard that the Secretary-General's proposals related to the capital master plan and strategic heritage plan projects included options as to implementation and project length.

15. **The Advisory Committee notes the exceptional length of the proposed project and is not convinced that the current proposal represents the most cost-effective or efficient method of implementation. Furthermore, the Committee considers that the Secretary-General should have presented a range of implementation options, including a single-phase option, with detailed plans and costing estimates related to each option and a comparison of the options, for consideration by the General Assembly. The proposal should also have included a cost-benefit analysis of the implementation options, including the option of conducting the major construction works outside working hours only.**

16. Upon enquiry as to the swing space arrangements, the Committee was informed that a maximum of 400 personnel could be in the swing space at any one time, for a period of approximately six months to one year. The Committee was also informed that, to date, there had been no pledge by the host country to provide swing space and that the Secretariat would not undertake the leasing of commercial space until a definitive reply was received from the host country. The Committee was provided with table 1 below, which shows the cost of rental of swing space.

Table 1

(United States dollars)

Swing space	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
1. On-site						
1200 m^2 designed and constructed on-site for essential staff at a cost of $500 per m^2	230 000	610 000	–	–	–	840 000
2. Off-site						
4000 m^2 rented off-site at a cost of $250 per m^2	–	500 000	1 000 000	1 000 000	250 000	2 750 000
Furniture for 240 workstations	–	–	528 000	10 000	–	538 000
Information technology systems	100 000	300 000	50 000	50 000	–	500 000
Access control system	114 600	220 000	10 000	10 000	–	354 600
Movements contractor for relocation of staff	–	150 000	300 000	40 000	–	490 000
Security support services	–	210 000	200 000	100 000	–	510 000
Maintenance and operations (allowance)	–	57 400	90 000	40 000	–	187 400
Total	**444 600**	**2 047 400**	**2 178 000**	**1 250 000**	**250 000**	**6 170 000**

17. **The Advisory Committee notes that the host country was approached at the same time as a real estate company to secure off-site swing space and emphasizes that the host country should have been approached first and at an early stage for the possible provision of swing space before any steps were taken regarding the commercial leasing of swing space.**

18. With respect to space usage, the Committee was informed upon enquiry that the average office space per staff in the swing space would measure 12.5 square metres. After the completion of the project, the space required to support current ESCAP operations would be reduced through the implementation of alternative space guidelines aimed at rationalizing and reducing personal space and through possible implementation of flexible workplace strategies. The Committee recalls that the General Assembly, in its resolution 69/274 A, endorsed the Committee's recommendation that the Secretary-General assess the potential for application of flexible workplace strategies in all duty stations across the Organization (A/69/810, para. 31).

19. The report of the Secretary-General also states that once the lead design firm is brought on board, a specialized study regarding the current state of asbestos and other hazardous materials used in the construction of the buildings would be undertaken at the start of the design phase (A/70/356, para. 39). Upon enquiry as to why the asbestos study was not undertaken prior to planning, the Advisory Committee was informed that ESCAP conducted an assessment of its complex for asbestos in 2001, during which magnesium silicate was found in non-friable form in the floor tiles originally installed in the building, while the risk of discovering friable asbestos was determined to be extremely remote. **The Advisory Committee is of the view that the specialized asbestos and other hazardous materials study should be conducted prior to project planning to ensure the health and safety of**

staff and construction personnel in the premises, particularly if the method of implementation envisages that staff would remain in the building during the construction works.

IV. Governance and project management

Governance and oversight

20. The report indicates that the project owner would be the Executive Secretary of ESCAP, while the Central Support Services Section within the Division of Administration of ESCAP would coordinate with the Office of Central Support Services at Headquarters in New York and maintain oversight of the project management team that would be responsible for the execution and day-to-day management of the project. In addition, it is proposed that a stakeholders committee composed of members from other secretariat offices and other stakeholders based within ESCAP premises be established to assist the Executive Secretary and the project management team in managing the project (ibid., paras. 20-23).

21. In this context, the Advisory Committee recalls that the General Assembly requested the establishment of an Advisory Board for the capital master plan (see resolutions 57/292 and 62/87) and strategic heritage plan projects (see resolution 69/262). In its resolutions, the Assembly emphasized that the Advisory Board must be independent and impartial, with its membership reflecting a wide geographical representation while ensuring the required expertise. **The Advisory Committee is of the view that the establishment of an independent and impartial Advisory Board, made up of members reflecting a wide geographical representation while ensuring the required expertise, should also be considered for the proposed ESCAP project in order to strengthen its governance.**

22. Upon enquiry as to the role of the Office of Central Support Services, the Advisory Committee was informed that it would provide ESCAP with technical guidance and advice on the project, ensure that the project complies with overall organizational objectives, share lessons learned from other capital projects and coordinate with New York-based project stakeholders. The Committee was also informed that, within the Office, the Overseas Properties Management Unit would engage the ESCAP project management team on a regular basis, at a minimum through fortnightly conference calls, to provide guidance on technical and working-level management issues and participate in key project activities, such as the development of tender documents and technical evaluations for consultancies and construction services. The Committee was further informed that regular videoconferences would be conducted at the level of the Assistant Secretary-General for Central Support Services and the Executive Secretary of ESCAP. **The Advisory Committee considers that the Office of Central Support Services in New York should be actively involved in overseeing the proposed project at ESCAP to ensure the central supervision of capital projects, including risk management, and alignment with lessons learned.**

23. With respect to the stakeholders committee, the Advisory Committee was informed upon enquiry that the committee members would provide guidance and advice on matters within their areas of expertise and responsibility, such as ESCAP security or information technology, and would not be empowered to make additions affecting the project scope or validate cost or scope increases.

Project management team

24. The proposed project management team would comprise a Project Manager (P-4); a Building Services Engineer (P-3); a Civil Engineer (P-3); a Communications, Planning and Logistics Officer (National Officer); a Site Safety Officer (National Officer); a Project Administrative Assistant (Local level); and an Off-site Office Coordinator (Local level). It is also proposed that project support be provided by one Procurement Specialist (P-3), one Security Officer (Local level) and one Information Technology Assistant (Local level) (A/70/356, paras. 26 and 28). Paragraphs 29 to 33 of document A/70/356 set out the various deployment periods for the individual team members.

25. Upon enquiry as to the designation of a project manager at the P-4 level, the Advisory Committee was informed that there were no established standards within the Secretariat for setting the level of a project manager for capital projects and that the level depended on the size, cost and complexity of the project, as well as the availability of skills in the region and in ESCAP. In this instance, given that most of the technical and administrative support would be provided by the Central Support Services Section of ESCAP, which is headed by a Chief at the P-5 level, it was determined that the project manager, who reports to the Chief, should be at the P-4 level. **The Advisory Committee trusts that the Secretary-General will review the appropriate level of management for the proposed project.**

Consultants

26. In addition, the Secretary-General proposes external consultancies for a lead architectural and engineering design firm and an independent risk management firm. The lead architectural and engineering design firm would provide seismic engineering, architectural and engineering design and construction management services; produce the actual detailed design and construction documents prior to the procurement of renovation services; develop the implementation master plan; coordinate all the design activities, including seismic mitigation measures and building systems; and oversee the phased construction (ibid., paras. 34 and 54).

27. It is proposed that an independent risk management consultancy firm be engaged to provide an independent assessment of the project actions; perform risk management and quality assurance tasks and produce an overall risk strategy; assist in identifying and mitigating any risks to the successful delivery of the project; and propose a risk monitoring process including a risk register. The firm would also be responsible for developing and implementing the overall risk management strategy for the project in accordance with risk and compliance reporting standards, the governance and controls structure of the project, and United Nations audit requirements (ibid., paras. 35-37 and 54). Upon enquiry, the Advisory Committee was informed that the risk management consultancy firm would also carry out the function of third-party project assurance. **The Advisory Committee notes that the proposed risk management consultancy firm would carry out the function of independent project assurance. In this regard, the Committee recalls that the Board of Auditors, in its report on the capital master plan for the year ended 31 December 2013 (A/69/5 (Vol. V)), recommended that the Administration apply independent project assurance to all major projects, as there is currently no established approach to providing independent project assurance in the United Nations (summary, para. 25 (b)). In its related report, the Committee**

recommended the implementation of this recommendation (A/69/529, para. 7), which was subsequently endorsed by the General Assembly in its resolution 69/274 A. Furthermore, in line with paragraph 22 above, the Committee considers that the Office of Central Support Services in New York should also be actively involved in project risk management to ensure a coherent overall approach to risk management, including on the contingency provision, and to ensure that lessons learned from other capital projects are applied.

V. Proposed project costs

28. For the biennium 2014-2015, a provision of $500,000 was included under section 33, Construction, alteration, improvement and major maintenance, of the programme budget to engage a seismic consultant to undertake the design of the seismic mitigation measures (A/70/356, para. 47). For the six bienniums from 2016 to 2027, the estimated total costs of the proposed project in the amount of $35,189,900 are set out in table 1 of the report of the Secretary-General. The Committee was informed upon enquiry that there were no separate associated costs and that all costs related to the implementation of the project had been included in the cost estimates. Upon enquiry as to the breakdown of the proposed costs by biennium, the Advisory Committee was provided with the table in annex I to the present report. The Committee was also provided with the table in annex II showing a breakdown by biennium of the proposed costs related to the project management and support staff. **Given its overall recommendation on the proposed project in paragraph 38 below, the Advisory Committee refrains from making detailed comments at this stage on the specific resource requirements requested.**

29. With regard to cost sharing with other organizations located within ESCAP premises, the Committee was informed upon enquiry that there was at present no plan to charge specialized agencies, funds and programmes any one-time capital costs related to the proposed project but that it was expected that rental rates could increase following the completion of the project, as ESCAP premises would have been modernized as a result. With respect to host country contributions towards the project costs, the Committee was informed upon enquiry that there was no precedent of the host country providing such support to other United Nations entities, although the host country would be approached for assistance in providing non-commercial property for temporary swing space (see paras. 13 and 16 above). **The Advisory Committee recalls that, in the context of the strategic heritage plan project, the Secretary-General made efforts to seek voluntary contributions from Member States, the private sector and foundations with the objective of raising funds for the renovation part of the project, as well as the sponsorship of the renovation of specific rooms by Member States (A/69/580, para. 66). The Committee is of the view that the same approach could be considered for the proposed ESCAP project.**

Contingency

30. Paragraph 49 of the report indicates that the contingency provision in the amount of $2,532,600 was developed on the basis of a traditional percentage method, taking into consideration past experience with similar projects and other variables, on the basis of which the contingency provision has been established at 10 per cent of the estimated construction cost of the project, inclusive of

consultancy fees. The Committee notes in this regard that different contingency levels have been applied in the capital projects undertaken by the Organization, as follows: capital master plan — 20 per cent; International Residual Mechanism for Criminal Tribunals in Arusha — 15 per cent; United Nations Office at Nairobi and the new office facilities for the Economic Commission for Africa — 10 per cent; and renovation of the Africa Hall Building — 20 per cent (A/68/585, para. 74, and A/70/363, para. 65).

31. Upon enquiry, the Advisory Committee was informed that it was standard practice, both in the industry and in the Organization, for contingency provisions to be applied to both the construction trade costs and the consultancy fees, as unforeseen conditions may arise in both the design and construction phases of the project.

32. With respect to the use of the contingency, the Advisory Committee was informed upon enquiry that it would be used to cover the uncertainty and variability of the project cost estimates arising from foreseen and/or unforeseen risk events but would not be used to cover changes in project costs arising from changes in project scope and unforeseen force majeure events. The Committee was also informed that, once a contingency allowance is approved, it would be held outside the base project budget, and that any charges to the contingency fund would be approved only at the project owner level, with the contingency amount being monitored and reassessed throughout the project life cycle.

33. The Committee was also informed that the day-to-day management of the contingency fund would be developed within the guidelines for the management of construction projects currently being finalized by the Office of Central Support Services, which would include provisions on the overall contingency management process, such as procedures for the use of contingency funds, approval of charges to the contingency fund, and reporting on the use of contingency funds. The Committee was informed that the guidelines, to be completed in December 2015, would have a detailed risk management section covering risk identification, risk analysis, risk response planning (including risk-based contingency estimation) and risk monitoring and control. The Committee also notes in this regard that the proposed costs do not include an escalation clause, unlike other capital projects.

34. **The Committee recalls its recommendations regarding contingency in respect of other capital projects, including the importance of estimating the contingency requirement on the basis of an assessment of the potential risks faced in each of the phases of the renovation project (A/69/415, para. 34). The Committee reiterates its previous recommendations on the determination, allocation and reporting of contingency funds (see A/67/548, A/68/585, A/68/808 and A/69/415). The Committee expects that the guidelines for the management of construction projects will address the contingency requirement in projects in detail, including the presentation of the contingency separately from the proposed project costs, the calculation of the contingency provision based on risk analysis, and the process for return of unused contingency funds, taking into account its previous recommendations.** The Committee makes further observations on the use of contingency in its reports on the second annual progress report of the Secretary-General on the strategic heritage plan of the United Nations Office at Geneva and on his report on progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa and the renovation of conference facilities, including Africa Hall.

Resource requirements for the biennium 2016-2017

35. With respect to the biennium 2016-2017, the amount of $7,914,600 is proposed and represents a revised estimate from the amount of $9,000,000 previously requested in the context of the proposed programme budget, as mentioned in paragraph 3 above. The proposed resource requirements for 2016-2017 are broken down as follows: (a) under section 19, Economic and Social Commission for Asia and the Pacific, the amount of $967,000 for other staff costs with respect to the project management team and support staff under general temporary assistance; and (b) under section 33, Construction, alteration, improvement and major maintenance, the amount of $1,573,000 for consultants and the amount of $5,374,600 for contractual services (A/70/356, paras. 51-55 and tables 2 and 3). Upon enquiry as to the revised estimate, the Committee was provided with table 2 below, which shows a breakdown of the variation between the initial and revised estimates.

Table 2

(United States dollars)

Cost component	*Initial estimates for 2016-2017*	*Revised estimates for 2016-2017*	*Variation*
1. Trade costs:			
(a) Seismic mitigation measures and renovation works			
Structural deficiencies	4 393 973	4 641 573	247 600
Architectural upgrades	244 427	244 427	–
Roof repairs	–	–	–
(b) Life-cycle replacement works			
Kitchen upgrades	–	–	–
Utilities: water systems	–	–	–
Air handling unit replacement	–	–	–
Utilities: HVAC system	–	–	–
Electrical, low-voltage and ICT systems	–	–	–
General capital maintenance	–	–	–
Subtotal, 1	**4 638 400**	**4 886 000**	**247 600**
2. Consultancy fees	1 430 000	1 430 000	–
3. Project management costs	2 146 500	967 000	(1 179 500)
Subtotal, 1-3	**8 214 900**	**7 283 000**	**(931 900)**
4. Contingency	785 100	631 600	(153 500)
Total project costs	**9 000 000**	**7 914 600**	**(1 085 400)**

36. The Committee was also provided with a breakdown of the requirements of $1,573,000 proposed under consultants, comprising the amount of $1,258,400, proposed for the lead architectural and engineering consultancy service, and the amount of $314,600, proposed for the independent risk management consultancy service.

VI. Conclusion

37. The actions to be taken by the General Assembly requested by the Secretary-General are contained in paragraph 58 of his report. **For the reasons set out in the preceding paragraphs, the Committee is of the view that the report of the Secretary-General lacks clarity and detail, and it is therefore not convinced of the soundness of the proposal. In particular, the Committee considers that the proposal should have included a range of detailed and costed options for consideration by the Assembly, including options as to the nature of the works to be performed (seismic, renovation or other works or a combination thereof) and options as to the method of implementation (single-phase or multiphase).**

38. **Therefore, the Advisory Committee recommends against approval of the proposed project and the requested actions set out in paragraph 58 (a) to (e) of the report of the Secretary-General. Should the Secretary-General wish to submit a new project proposal with respect to the ESCAP premises, the Committee trusts that he will take into account its observations above, especially in paragraphs 7, 10, 11, 15, 17, 19, 21, 22, 25, 27, 29, 34 and 37.**

Annex I

Seismic mitigation and life-cycle replacement project

Detailed cost plan

Cost component	*2016*	*2017*	*2018-2019*	*2020-2021*	*2022-2023*	*2024-2025*	*2026-2027*	*Total*
1. Trade costs:								
(a) Seismic mitigation measures and renovation works								
Structural deficiencies	830 000	3 811 573	3 907 721	1 066 206	–	–	–	9 615 500
Architectural upgrades	–	244 427	229 855	1 164 892	1 164 892	1 160 000	1 117 000	5 081 066
Roof repairs	–	–	68 395	58 395	–	–	–	126 790
(b) Life-cycle replacement works								
Kitchen upgrades	–	–	7 822	7 822	15 895	–	–	31 539
Utilities: water systems	–	–	–	134 000	134 000	140 000	125 000	533 000
Air handling unit replacement	–	–	–	590 581	630 581	680 000	710 000	2 611 162
Utilities: HVAC system	–	–	–	20 883	43 469	135 000	120 000	319 352
Electrical, low-voltage and ICT systems	–	–	–	1 100 000	1 100 000	1 000 000	1 000 000	4 200 000
General capital maintenance	–	–	200 000	56 315	56 315	135 833	178 833	627 296
Subtotal, 1	**830 000**	**4 056 000**	**4 413 793**	**4 199 094**	**3 145 152**	**3 250 833**	**3 250 833**	**23 145 705**
2. Consultancy fees	430 000	1 000 000	176 552	167 964	125 806	140 033	140 033	2 180 388
3. Project management costs	206 000	761 000	2 112 200	1 559 200	1 039 600	1 039 600	613 600	7 331 200
Subtotal, 1-3	**1 466 000**	**5 817 000**	**6 702 545**	**5 926 258**	**4 310 558**	**4 430 466**	**4 004 466**	**32 657 293**
4. Contingency	126 000	505 600	459 035	436 706	327 096	339 087	339 087	2 532 611
Total project costs	**1 592 000**	**6 322 600**	**7 161 580**	**6 362 964**	**4 637 654**	**4 769 553**	**4 343 553**	**35 189 904**

Annex II

Proposed project management staff schedule

(United States dollars)

	Start date	*End date*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*	*Total*
Project Manager (1 P-4)	June 2016	Dec. 2027	91 300	160 200	160 200	160 200	160 200	160 200	160 200	160 200	160 200	160 200	160 200	160 200	1 853 500
Project Administrative Assistant (1 LL)	June 2016	Dec. 2027	40 700	73 300	73 300	73 300	73 300	73 300	73 300	73 300	73 300	73 300	73 300	73 300	847 000
Procurement Specialist (1 P-3)	June 2016	Dec. 2023	74 000	129 900	129 900	129 900	129 900	129 900	–	–	–	–	–	–	723 500
Civil Engineer (1 P-3)	Jan. 2017	Dec. 2019	–	129 900	129 900	129 900	–	–	–	–	–	–	–	–	389 700
Communications/ Logistics/Planning Officer (1 NO-B)	Jan. 2017	Dec. 2027	–	106 500	106 500	106 500	106 500	106 500	106 500	106 500	106 500	106 500	–	–	958 500
Building Services Engineer (1 P-3)	June 2017	Dec. 2027	–	75 800	129 900	129 900	129 900	129 900	–	–	–	–	–	–	595 400
Off-site Office Coordinators (1 LL)	June 2017	Dec. 2019	–	42 700	73 300	73 300	–	–	–	–	–	–	–	–	189 300
Off-site IT Support Assistant (1 LL)	June 2017	Dec. 2019	–	42 700	73 300	73 300	–	–	–	–	–	–	–	–	189 300
Site Safety Officer (1 NO-B)	Jan. 2018	Dec. 2027	–	–	106 500	106 500	106 500	106 500	106 500	106 500	106 500	106 500	–	–	852 000
Security Officer (1 LL)	Jan. 2018	Dec. 2027	–	–	73 300	73 300	73 300	73 300	73 300	73 300	73 300	73 300	73 300	73 300	733 000
Total			**206 000**	**761 000**	**1 056 100**	**1 056 100**	**779 600**	**779 600**	**519 800**	**519 800**	**519 800**	**519 800**	**306 800**	**306 800**	**7 331 200**

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Seventieth session
Agenda items 134, 139, 141 and 148

Proposed programme budget for the biennium 2016-2017

Human resources management

United Nations common system

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for the year 2015

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the statement submitted by the Secretary-General (A/C.5/70/3) in accordance with rule 153 of the rules of procedure of the General Assembly on the administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission (ICSC) for 2015 (A/70/30). During its consideration of the statement, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 20 October 2015.

2. In the statement it is indicated that the decisions and recommendations of ICSC would have an impact on the proposed programme budget of the United Nations for the biennium 2016-2017, the budgets of peacekeeping operations for the 2015/16 peacekeeping financial period (six months) and the upcoming proposed peacekeeping budgets for the 2016/17 financial period. The decisions and recommendations are related to the following three issues: (a) conditions of service applicable to the Professional and higher categories of staff and the General Service and other locally recruited categories of staff: mandatory age of separation and the comprehensive review of the common system compensation package; (b) remuneration of the Professional and higher categories: review of the base/floor

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salary scale; and (c) remuneration of the General Service and other locally recruited categories: survey of best prevailing conditions of employment for General Service and related categories in New York, Kingston and London (A/C.5/70/3, para. 1).

3. The Secretary-General indicates that should the General Assembly approve the Commission's recommendations, the reduction in requirements for the proposed programme budget for the biennium 2016-2017 would be addressed in the context of the report on the revised estimates: effect of changes in rates of exchange and inflation for the biennium 2016-2017 (ibid., para. 52). Subsequently, upon enquiry, the Advisory Committee was informed that although the ICSC recommendations had not yet been approved by the General Assembly, the revised estimates would address the financial implications on a provisional basis and would be presented to the Assembly in mid-December. **The Advisory Committee stresses that the report of the Secretary-General on the revised estimates: effect of changes in rates of exchange and inflation should not anticipate the General Assembly's decision on the recommendations of the Commission and, therefore, the related financial implications should not be reflected in the revised estimates. The Committee trusts that should the General Assembly approve the Commission's recommendations, the Secretary-General will update the General Assembly on the related financial implications prior to the Assembly's decision on the proposed programme budget for the biennium 2016-2017.**

II. Mandatory age of separation

4. The Commission recommends that the implementation date for raising the mandatory age of separation to 65 for staff recruited before 1 January 2014 should be in 2016 and at the latest by 1 January 2017. The Secretary-General states that this was not factored in the preparation of the proposed programme budget for 2016-2017, specifically with respect to the determination of posts earmarked to be abolished or frozen, and would therefore have a negative impact on the planned implementation of the proposed programme budget, as programme managers would need to identify alternative measures to maintain the proposed budget level (ibid., paras. 2 and 3). **The Advisory Committee recalls its comments in its first report on the proposed programme budget for the biennium 2016-2017 (A/70/7, paras. 78 and 79).**

III. Comprehensive review of the common system compensation package

5. Under the comprehensive review, the statement indicates that the overall financial implications of the Commission's recommendations would amount to a net reduction of $113,200,000 per annum for the United Nations and other participating organizations of the common system in the sixth year of implementation, once the proposed transitional measures have been phased out. The statement also indicates that the financial impact on the programme budget of the United Nations and the budgets of peacekeeping operations would amount to a net reduction of $42,830,000 per year from the sixth year of implementation onward. Table 4 of the statement provides a breakdown of the financial implications in the sixth year of implementation. The statement further indicates that implementation of the

proposed system would require certain actions, including amendments to staff rules and regulations, and modifications in the enterprise resource planning software (Umoja), which are expected to entail additional costs to be determined following a decision by the General Assembly on the Commission's recommendations (A/C.5/70/3, paras. 5 and 6). Table 2 of the statement shows that the financial impact for the proposed programme budget for the biennium 2016-2017 under the comprehensive review of the common system compensation package is estimated at a reduction of $1,060,000.

Unified salary scale

6. In paragraph 8 of the statement, it is indicated that the current system reflects two salary scales, at single and dependent rates. The dependent rate salary is paid to staff with a dependent spouse or to those without a dependent spouse but with a dependent child. The Commission recommends to the General Assembly the following: (a) a unified base/floor salary scale structure for all staff in the Professional and higher categories without regard to family status; (b) staff assessment rates to be used in conjunction with gross base salaries upon implementation of the unified salary scale; (c) the resulting pensionable remuneration scale; and (d) the establishment of a dependent spouse allowance at the level of 6 per cent of net remuneration. Staff with non-dependent spouses who are currently in receipt of the dependent rate salary by virtue of a first dependent child would instead receive the child allowance. The proposed salary scale also reflects a structural change to the current scale that has varying grade spans and scale compressions. The proposal includes a more uniform salary scale, with 13 steps for grades P-1 to P-5 and with additional steps at the D-1 and D-2 levels. The Commission also recommends granting within-grade step increments annually from step 1 to step 7 and biennially thereafter for staff in the Professional category, maintaining biennial steps at the D-1 and D-2 levels in accordance with the present system and replacing the current practice of granting accelerated step increments as an incentive with other cash or non-cash awards.

7. According to the Secretary-General, taking into account the proposed transitional measures and the implementation date of 1 January 2017, the financial implications of approval of the recommendations above for the proposed programme budget for the biennium 2016-2017 are estimated at a net increase of $1,570,000, while the financial implications for the proposed budgets for peacekeeping operations for the financial period from 1 July 2016 to 30 June 2017 are estimated at a net increase of $570,000 (ibid., paras. 11 and 12).

Hardship system/mobility

8. The Commission recommends an adjusted hardship system with one hardship rate, which would be differentiated by the classification of the duty station and grade level of staff, regardless of family status. The Commission also recommends replacing the existing additional hardship allowance with a non-family service allowance at a flat amount, based only on the family status of staff. In addition, the Commission recommends the introduction of a mobility incentive at a flat amount differentiated by grade only, in lieu of the current mobility allowance (ibid., paras. 13 to 18).

9. The statement indicates that, taking into account the proposed transitional measures and the implementation date of 1 July 2016, the financial implications of these recommendations for the proposed programme budget for the biennium 2016-2017 are estimated at a net increase of $1,080,000 and the financial implications for the proposed budgets for peacekeeping operations for the financial period from 1 July 2016 to 30 June 2017 are estimated at a net increase of $4,390,000 (ibid., paras. 20 and 21).

Education and special education grant

10. Under the education grant scheme, the Commission recommends a revision to the criteria for the coverage of post-secondary education to make the grant payable up to the end of the school year in which the child completes four years of post-secondary studies or attains the first post-secondary degree, whichever is earlier, subject to the upper age limit of 25 years. The Commission also makes recommendations on expenses considered admissible under the scheme, tuition and enrolment-related fees, boarding-related expenses, education grant travel and capital assessment fees. The Commission makes further recommendations on the special education grant and related expenses (ibid., paras. 23 and 24).

11. Given the proposed implementation date of 1 September 2017, the Secretary-General states that the financial implications of these recommendations for the proposed programme budget for the biennium 2016-2017 are estimated at a net decrease of $3,080,000, with no financial implications for the proposed budgets of peacekeeping operations for the financial period from 1 July 2016 to 30 June 2017 (ibid., para. 26).

Accelerated home leave

12. With respect to the Commission's recommendation to discontinue the accelerated home leave travel, in view of the overlap with rest and recuperation travel, the statement indicates that the financial implications for the proposed programme budget for the biennium 2016-2017 are estimated at a net decrease of $1,930,000 and the financial implications for the proposed budgets for peacekeeping operations for the financial period from 1 July 2016 to 30 June 2017 are estimated at a net decrease of $5,790,000, both based on the implementation date of 1 January 2017 (ibid., paras. 28, 30 and 31).

Repatriation, relocation, termination indemnity and death grant

13. Under the new repatriation grant scheme recommended by the Commission, a threshold of five years of expatriate service would be established as an eligibility requirement. The Commission also recommends establishing a new relocation package featuring relocation travel, relocation shipment and a settling-in grant, with changes to the relocation shipment, including options on full removal or lump sum, and a settling-in grant that includes 30 days of local daily subsistence allowance for staff and 30 days at 50 per cent for each eligible family member plus a lump-sum equivalent to base salary, plus applicable post adjustment at the P-4 step VI level. The statement indicates that the proposed introduction of the unified salary scale would also have implications for separation payments, which include the termination indemnity, death grant and repatriation grant (ibid., paras. 33, 35 and 37).

14. According to the Secretary-General, taking into account the proposed transitional measures and the implementation dates of 1 July 2016 for relocation-related elements and 1 January 2017 for all other elements, the financial implications of approval of the recommendations above for the proposed programme budget for the biennium 2016-2017 are estimated at a net increase of $1.3 million, while the financial implications for the proposed budgets of peacekeeping operations for the financial period from 1 July 2016 to 30 June 2017 are estimated at a net increase of $870,000 (ibid., paras. 39 and 40).

IV. Remuneration of the Professional and higher categories: review of the base/floor salary scale

15. The Commission recommends, subject to the decision on the unified salary scale, a revised base/floor salary scale for Professional and higher categories, with effect from 1 January 2016, reflecting a 1.08 per cent increase in the base/floor salary scale and a commensurate reduction in post adjustment multiplier points, resulting in no change in net take-home pay (ibid., para. 43).

16. Subject to the decision on the unified salary scale with the implementation date of 1 January 2017, the Secretary-General estimates the related financial implications for the proposed programme budget for the biennium 2016-2017 at an increase of $232,100 for the year 2016 and for peacekeeping operations at an increase of $83,600 for the financial period from 1 July 2015 to 30 June 2016 (six months) (ibid., paras. 44 and 45).

V. Remuneration of the General Service and other locally recruited categories

Survey of the best prevailing conditions of employment in New York

17. According to the statement of the Secretary-General, the recommended salary scales for the five categories of locally recruited staff in New York are 5.8 per cent lower than the current scales, and in view of General Assembly resolution 68/253, the Commission recommends that dependency allowances for staff in the General Service and related categories of the common system organizations in New York be maintained at their current levels (ibid., para. 46).

18. The statement indicates that the recommended salary scales are expected to be implemented only with respect to staff recruited on or after the date of promulgation by the New York-based organizations, while the salary scales would be frozen for existing staff. The financial implications resulting from the freeze of the salary scales for existing staff are estimated to be a reduction of approximately $16 million, with no financial implications for the budgets of peacekeeping operations for the financial period from 1 July 2015 to 30 June 2016 (ibid., para. 47).

Survey of the best prevailing conditions of employment in Kingston and London

19. The Commission recommends a new salary scale for the General Service and National Professional Officer categories of the organizations of the common system in Kingston and a revised net salary scale for staff in the General Service category

in London. As there are no categories of General Service and other locally recruited staff funded from the programme budgets or peacekeeping operations budgets in Kingston and London, there are no financial implications for the proposed programme or peacekeeping operations budgets with respect to these recommendations (ibid., paras. 48 to 50).

VI. Conclusion

20. The financial implications of the decisions and recommendations of the International Civil Service Commission are summarized in paragraph 51 of the statement, as follows:

(a) The financial implications for the proposed programme budget for the biennium 2016-2017 are estimated at an approximate net reduction of $16,827,900;

(b) The financial implications for the budgets of peacekeeping operations for the financial period 2015/16 (six months) and 2016/17 (one year) are estimated at a net increase of $83,600 and $40,000, respectively.

The Advisory Committee notes the financial implications of the recommendations of ICSC should the General Assembly approve those recommendations.

21. The Secretary-General states in paragraph 52 of the statement that should the General Assembly approve the recommendations of the Commission:

(a) The reduction in requirements for the programme budget of the United Nations for the biennium 2016-2017 would be addressed in the context of the revised estimates: effect of changes in rates of exchange and inflation, for the biennium 2016-2017 (see para. 3 above);

(b) The reduction in requirements for the budgets for peacekeeping operations would be taken into account in the performance reports for the period from 1 July 2015 to 30 June 2016 and in the preparation of the proposed budgets for the period from 1 July 2016 to 30 June 2017.

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Proposed programme budget for the biennium 2016-2017

Limited budgetary discretion

Sixth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2016-2017

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on limited budgetary discretion (A/70/396). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 21 October 2015.

2. The Advisory Committee recalls that, in its resolution 60/246, the General Assembly recognized the need for limited discretion in budgetary implementation for the Secretary-General within defined parameters to be agreed by the Assembly along with clear accountability mechanisms to the Assembly for its use. Subsequently, in paragraph 6 of its resolution 60/283, the Assembly decided to authorize the Secretary-General, on an experimental basis, a limited discretion for budgetary implementation for the bienniums 2006-2007 and 2008-2009 to enter into commitments of up to $20 million in each biennium for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities. Any expenditures in that regard were to be offset by savings identified and attained during the course of each biennium within the authorized appropriation level. In addition, the authorization was to be implemented in line with nine principles outlined by the Assembly and the discretion would be limited to a total of $6 million per biennium under the authority of the Secretary-General; any amounts in excess of that level would require prior approval by the Advisory Committee (see resolution 60/283, sect. III, paras. 7 and 8).

3. The General Assembly subsequently decided, in its resolutions 64/260 and 66/258, to continue those arrangements on an experimental basis during the bienniums 2010-2011 and 2012-2013. In its most recent resolution, 68/246, the Assembly endorsed the conclusions and recommendations contained in the report of the Advisory Committee on limited budgetary discretion (A/68/7/Add.9), which recommended the continuation of limited discretionary authority on an experimental

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basis for the biennium 2014-2015 and also recommended that the Assembly request the Secretary-General to provide a comprehensive report on the implementation of the experiment that included clearer criteria to define the evolving needs of the Organization in order to ensure a more consistent approach to the usage of the limited budgetary discretion mechanism.

Utilization of the limited budgetary discretion mechanism

4. The discretionary mechanism has been utilized on eight occasions over the course of three bienniums (2006-2007, 2008-2009 and 2010-2011). The details of that usage are set out in the most recent report of the Secretary-General (see A/70/396, paras. 13 and 19). The total amounts utilized for each of the three bienniums were $8.8 million, $11.3 million and $8.9 million, respectively. The mechanism was last used in the biennium 2010-2011.

5. The Secretary-General indicates in his report that the mechanism allows the use of underexpenditures from within the authorized appropriation level to meet emerging needs of the Organization. Upon enquiry, the Advisory Committee was provided with information on the redeployment of resources between budget sections that have financed the use of the mechanism (see annex I). The Advisory Committee notes that over the course of the three bienniums, the most significant redeployments involved the transfer of funds from the budget sections concerning safety and security, public information and human rights to the budget sections containing the resource requirements for the Office of the Under-Secretary-General for Management, the Office of Human Resources Management and the Office of Central Support Services and for construction, alteration, improvement and major maintenance.

6. On a related matter, according to the report of the Secretary-General, during the biennium 2012-2013 underexpenditures were not anticipated owing in part to the deferral of part of the recosting requirements for posts and lower overall actual vacancy rates than budgeted. For the 2014-2015 biennium, the limited budgetary discretion mechanism was not utilized, as it was deemed that no activities emerged that met the principles set by the General Assembly and the refined criteria used by the Secretary-General to define the evolving needs of the Organization (see A/70/396, paras. 14 and 17).

Utilization criteria

7. In previous reports, the Advisory Committee had expressed its view that clearer criteria would ensure a more consistent approach to the usage of the mechanism (see A/66/7/Add.18, para.15 and A/68/7/Add.9, para. 9). That view was endorsed by the General Assembly. As a result, the Secretary-General issued a list of five criteria contained in his report of 27 September 2013 (see A/68/490, para. 8), followed by a refined list of four criteria in his most recent report (see A/70/396, para. 20). The proposed criteria for the use of the limited budgetary discretion mechanism are now the following:

(a) Requirements to overcome unforeseen obstacles to fully implement existing mandates;

(b) Requirements following natural or man-made disasters and crises to enable the resumption of operations in a safe and secure environment;

(c) The requirements included in (a) and (b) above cannot be funded within the respective budget section;

(d) The requirements are of a one-time nature (specific to the current biennium). If the requirements are of a continuing nature and would continue into a subsequent biennium, provisions would initially be made under the discretionary authority and the continuing costs regularized in budgetary proposals for subsequent periods.

8. In response to its request for clarification concerning the refined list of criteria, the Advisory Committee was informed that the term "unforeseen obstacles", mentioned in subparagraph (a) above, refers to additional financial requirements to support an existing mandate. Past examples include requirements to address fire safety deficiencies in the Secretariat building and the need to extend the appointments of the ad litem judges of the United Nations Dispute Tribunal and their support staff to clear the existing backlog of cases from the former system of the administration of justice.

9. With respect to the criteria in subparagraph (b) above, the Advisory Committee was informed that "man-made disasters" generally refers to disastrous events caused directly and principally by one or more identifiable deliberate or negligent human actions. Examples include disasters arising from the impact of global warming, man-made fires, civil unrest/wars and cyberattacks. Upon enquiry, the Advisory Committee was further informed that, in contrast to the other flexible funding mechanisms, the limited discretion mechanism was designed to be used to address the impact of a particular disaster on United Nations staff members themselves. The key criterion would hinge not upon the type of disaster and whether it was natural or man-made, but rather upon its impact on United Nations staff and the need to resume operations safely.

10. Regarding the difference between the limited budgetary discretion mechanism and other flexible funding mechanisms, the Advisory Committee was provided with a table comparing six flexible funding mechanisms (see annex II). Upon enquiry, the Advisory Committee was informed that, for example, the authority of the Secretary-General to enter into commitments to meet "unforeseen and extraordinary expenses" was to be used when there was an impact on or threat to the peace and security of the beneficiaries of United Nations assistance, such as subregions and countries and their populations. In 2014, for example, the initial United Nations response to the Ebola outbreak was funded from the unforeseen and extraordinary expenses mechanism rather than from the limited budgetary discretion mechanism. In addition, the Advisory Committee has made comments and recommendations on the experience of the utilization of another flexible funding mechanism, the contingency fund, in its related report (see A/70/7/Add.7).

11. **The Advisory Committee takes note of the efforts of the Secretary-General to refine the criteria and encourages him to continue refining them while ensuring the strict application of the principles contained in resolution 60/283 of the General Assembly.**

Ongoing utility of the limited budgetary discretion mechanism

12 The Advisory Committee notes that the limited budgetary discretion mechanism continues to be authorized only on an experimental basis. The Secretary-General

considers that the utility of the mechanism resides in its flexibility, in that it allows him to use existing funds quickly, when feasible, and does not require him to submit a separate request for an additional appropriation from Member States.

13. The Advisory Committee notes that the ceiling for the mechanism of $20 million within a given biennium has never been reached. Furthermore, the mechanism has not been used during the past two bienniums. The Advisory Committee also notes that other existing mechanisms were used to respond to recent crises such as the Ebola outbreak in western Africa and the consequences of storm Sandy at Headquarters.

14. **For those reasons, the Advisory Committee is not convinced that the experimental limited budgetary discretion mechanism continues to have merit, particularly compared with other funding mechanisms. While it questions the utility of the mechanism, the Advisory Committee recommends that the General Assembly authorize the mechanism's exceptional continuation for the biennium 2016-2017 only. Should the Secretary-General consider that the mechanism is required beyond that date, he should submit a comprehensive justification for its subsequent retention to the Assembly.**

Annex I

Utilization of the limited discretion for budgetary implementation by budget section

Information on the utilization of the limited budgetary discretion mechanism is detailed by budget section for the bienniums 2006-2007, 2008-2009 and 2010-2011 in tables 1 to 3, respectively.

Table 1
Use of limited discretion during the biennium 2006-2007
(Thousands of United States dollars)

Budget section	*Use of limited discretion*	
	Influenza pandemic	*Fire code compliance*
17. Economic and social development in Africa	23.1	–
18. Economic and social development in Asia and the Pacific	93.8	–
20. Economic and social development in Latin America and the Caribbean	359.2	–
21. Economic and social development in Western Asia	57.0	–
27. Public information	92.5	(3 500.0)
28A. Office of the Under-Secretary-General for Management	398.1	–
28C. Office of Human Resources Management	956.9	–
28D. Office of Central Support Services	1 603.8	–
28E. Administration, Geneva	557.4	–
28F. Administration, Vienna	530.0	–
28G. Administration, Nairobi	611.6	–
32. Construction, alteration, improvement and major maintenance	–	3 500.0
33. Safety and security	(5 283.4)	–
Total	–	–

Table 2
Use of limited discretion during the biennium 2008-2009
(Thousands of United States dollars)

Budget section	*Use of limited discretion*		
	Enterprise resource planning system	*Influenza pandemic*	*Business continuity management*[a]
2. General Assembly and Economic and Social Council affairs and conference management	(1 382.0)	(422.2)	–
5. Peacekeeping operations	–	–	(1 600.0)
9. Economic and social affairs	–	–	(1 500.0)
17. Economic and social development in Africa	–	215.8	(925.8)
20. Economic and social development in Latin America and the Caribbean	–	25.5	–
21. Economic and social development in Western Asia	–	8.3	(800.0)
23. Human rights	–	(2 000.0)	–
27. Public information	(1 382.0)	18.0	–
28A. Office of the Under-Secretary-General for Management	2 329.5	–	–
28C. Office of Human Resources Management	–	232.4	2 132.1
28D. Office of Central Support Services	434.5	1 438.7	465.3
28E. Administration, Geneva	–	21.7	471.4
28F. Administration, Vienna	–	150.3	–
28G. Administration, Nairobi	–	311.5	529.9
33. Safety and security	–	–	418.1
36. Office of Information and Communications Technology	–	–	809.0
Total	–	–	–

[a] It should be noted that an amount of $1,308,100 borrowed from posts has been redistributed within the same sections, namely section 17, Economic and social development in Africa ($676,100), section 18, Economic and social development in Asia ($86,400), section 20, Economic and social development in Latin America and the Caribbean ($236,000), section 21, Economic and social development in Western Asia ($213,700), and section 28F, Administration, Vienna ($95,900).

Table 3
Use of limited discretion during the biennium 2010-2011
(Thousands of United States dollars)

Budget section	Use of limited discretion				
	Strengthening of the Office of Legal Affairs	*Extension of ad litem judges of the United Nations Dispute Tribunal*	*Strengthening of the Administrative Law Section*	*Reconstruction of Economic Commission for Latin America and the Caribbean premises*[a]	*Total limited discretion*
1. Overall policymaking, direction and coordination	–	2 038.2	–	–	2 038.2
3. Political affairs	–	(1 019.1)	–	–	(1 019.1)
5. Peacekeeping operations	(826.6)	–	(518.9)	–	(1 345.5)
8. Legal affairs	577.2	–	–	–	577.2
17. Economic and social development in Africa	–	–	–	(3 585.1)	(3 585.1)
21. Economic and social development in Western Asia	–	–	–	(968.9)	(968.9)
28C. Office of Human Resources Management	–	–	518.9	–	518.9
28D. Office of Central Support Services	249.4	–	–	–	249.4
33. Construction, alteration, improvement and major maintenance	–	–	–	5 522.9	5 522.9
34. Safety and security	–	(1 019.1)	–	(968.9)	(1 988.0)
Total	–	–	–	–	–

[a] Does not reflect insurance reimbursements of $1,785,000 that were redistributed back to releasing sections.

Annex II

Funding mechanisms that provide the Secretary-General with flexibility in the use of resources

Funding mechanism	*Criteria*	*General Assembly resolution*	*Amount (limit)*
Contingency fund	Level of resources (usually set at 0.75 per cent of the overall level of the outline), which can be added to the budget to accommodate additional expenditure arising from programme budget implications or revised estimates as a result of new/expanded mandates or urgent changes in the scope of construction projects	41/213 and 42/211	The fund does not have money, but rather a set level of resources that the Secretary-General can request charges against, subject to approval by the Advisory Committee and the Fifth Committee
Unforeseen and extraordinary expenses	If the Advisory Committee concurs with a request from the Secretary-General to incur unforeseen and extraordinary expenses	68/249 (paras. 1 and 3)	$10 million per unforeseen and extraordinary event (if more than $10 million, requires General Assembly approval)
	Commitments to meet unforeseen and extraordinary expenses if the Secretary-General certifies that they relate to the maintenance of peace and security	68/249 (para. 1 (a))	$8 million per each year of the biennium
	If the Secretary-General certifies that the commitments relate to security measures for United Nations staff, operations and premises	68/249 (para. 1 (c)) and 59/276	$1 million per biennium
	If the President of the International Court of Justice certifies that the expenses are occasioned by: (a) the designation of ad hoc judges; (b) the calling of witnesses and appointment of experts; (c) the maintenance in office of judges for the completion of cases; (d) the payment of pensions and travel and removal expenses for retiring judges and travel and removal expenses and installation grants of members of the Court; and (e) the work of the Court or its Chambers away from The Hague	68/249 (para. 1 (b))	$725,000 if the breakdown indicated in paragraph 1 (b) of resolution 68/249 is respected

Funding mechanism	*Criteria*	*General Assembly resolution*	*Amount (limit)*
Transfers between appropriations	Delegated to the Advisory Committee by the General Assembly in its appropriation resolutions. The Secretary-General prepares a report on proposed transfers of credits between sections at the end of the biennial period upon closure of accounts and submits it to the Committee for approval.	Financial regulation 5.6 and financial rule 105.1, resolutions 68/248 A-C	Does not result in additional appropriations but redistribution of resources between sections after the biennial financial period has closed
Commitments against future financial periods	The Secretary-General may enter into commitments for future period if authorized by specific General Assembly decisions or provided that they are for activities that have been approved by the Assembly and are expected to continue, e.g. rental leases.	Financial regulation 5.7 and financial rule 105.2	Commitments will be charged against the relevant appropriations once approved by the General Assembly
Establishment of extrabudgetary posts at the D-1 level and above	The General Assembly decided that the establishment of all extrabudgetary posts at the D-1 level and above for which the approval of an intergovernmental organ was not required was subject to the concurrence of the Advisory Committee. Accordingly, the approval of the Controller is required and the concurrence of the Committee is requested for such posts.	35/217	Funded from extrabudgetary resources
Limited budgetary discretion mechanism	(a) Requirements would overcome unforeseen obstacles relating to existing mandates; (b) Requirements following natural or human-caused disasters and crises to enable the resumption of operations in a safe and secure environment; (c) The requirements cannot be funded within the respective budget section; (d) The requirements are of a one-time nature (specific to the current biennium); (e) The requirements can be funded through underexpenditures identified in one or more sections of the programme budget	60/283	$20 million, if the Advisory Committee endorses the Secretary-General's request for commitment authority $6 million per biennium within the Secretary-General's authority

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Proposed programme budget for the biennium 2016-2017

Administrative expenses of the United Nations Joint Staff Pension Fund

Seventh report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2016-2017

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund (A/70/325) and the report of the Secretary-General on the administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/C.5/70/2). In addition, the Committee had before it the Secretary-General's note on the membership of the Investments Committee. During its consideration of these matters, the Committee met with the Chair of the Pension Board, the Chief Executive Officer of the Pension Fund and the Representative of the Secretary-General for the investment of the assets of the Fund, all three of whom provided additional information and clarification, concluding with written responses received on 9 October 2015.

2. The report of the Pension Board contains the projected expenditures and the performance report for the biennium 2014-2015; the proposed budget estimates for the biennium 2016-2017; and a recommendation to the General Assembly that it authorize the Fund to supplement contributions to the Emergency Fund for the biennium 2016-2017 by an amount not exceeding $225,000. Section V of the report contains the recommended action to be taken by the Assembly and section VI presents a summary of follow-up action taken to implement the requests and recommendations of the Advisory Committee. Annex I to the report summarizes the Board's discussions on the revised appropriations for the biennium 2014-2015 and the estimates for the biennium 2016-2017, annex V contains the financial statements of the Fund for the year ended 31 December 2014 and annex VI contains the report of the United Nations Board of Auditors on the Fund for the period ended

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31 December 2014. The comments and observations of the Advisory Committee are contained in sections II and III below.

3. The overview to the Board's report indicates that there were 23 member organizations of the Fund as at 31 December 2014, with a combined total of 195,126 participants (122,759 active participants and 72,367 retirees and other beneficiaries), which, the Advisory Committee was informed, represents an increase of nearly 5,000 additional individuals being serviced in only one year. According to the supplementary information to the Board's report, there has been a 73 per cent growth in the overall number of participants (active participants, retirees and other beneficiaries) over the past 16 years due to the growth in size of member organizations, the entry of new organizations and the fact that retirees and other beneficiaries are living longer. The Committee was also informed that the Fund provides pension benefit payments to retirees and other beneficiaries in over 190 countries in 15 different currencies and that, by 2020, the Fund was expected to have over 85,000 beneficiaries. In addition, the Committee was informed that at the end of 2014 the assets of the Fund stood at more than $52 billion and that annual benefit payments currently exceed $2.4 billion.

4. The Advisory Committee notes, from the Board's discussions on the revised budget estimates for 2014-2015 and the budget estimates for the biennium 2016-2017 (see A/70/325, annex I), that the Board, as per established practice, convoked a budget working group comprised of members from each of the constituent groups and two representatives of the Federation of Associations of Former International Civil Servants to review the Fund's budget proposals and to make relevant recommendations to the Board. The role of the working group and its comments and recommendations in respect of the revised estimates for the biennium 2014-2015 and the budget estimates for the biennium 2016-2017, which the Board endorsed, are described in the Board's report (ibid., annex I, paras. 15-41). These include the recommendation that the Board express regret regarding the delays in filling senior management positions; the great concern with which it noted that the Fund was overly reliant on general temporary assistance for its long-term requirements; and its concern at the delay in the deployment of the Integrated Pension Administration System project (IPAS) and the additional cost related to the renewal of existing legacy systems. **The Advisory Committee takes note of the observations and recommendations of the Pension Board's budget working group.**

II. Revised budget estimates and performance report for the biennium 2014-2015

5. The Advisory Committee recalls that the General Assembly, in its resolution 68/247 A, approved appropriations for the biennium 2014-2015 totalling $177,666,500, comprising administrative costs ($91,000,300), investment costs ($83,713,500), audit costs ($2,543,900) and Pension Board expenses ($408,800). Of that amount, $156,341,800 is chargeable directly to the Fund and $21,324,700 is the share of costs to be borne by the United Nations. In addition, resources amounting to $155,800 were authorized for extrabudgetary costs and funded by a number of member organizations. It is indicated in the Board's report (A/70/325, para. 6) that total expenditure for the biennium 2014-2015 is estimated at $176,550,800, comprising administrative costs ($93,768,500), investment costs ($79,898,500),

audit costs ($2,475,000) and Board expenses ($408,800), which would result in an overall underexpenditure of $1,115,700, or 0.6 per cent of the total appropriation. It is also indicated that, under extrabudgetary costs, an underexpenditure of $7,600, or 4.9 per cent, is projected. The reasons for the variances in expenditure are provided in detail in paragraphs 7 to 40 of the Board's report.

6. As indicated in table 1 of the Board's report, the projected administrative costs of the Fund for 2014-2015 amount to $93,768,500, which would result in an overexpenditure of $2,768,200, or 3.0 per cent, owing principally to overexpenditures under contractual services ($3,740,500), due to the extension of the testing period for IPAS, and under posts ($879,900) and other staff costs ($748,100) due to higher salary costs in the Fund's Geneva office as a result of the appreciation of the Swiss franc against the United States dollar, offset in part by underexpenditures under general operating expenses ($1,351,100), attributable mostly to savings in bank fees as a result of the implementation of a new contract; under furniture and equipment ($667,600), attributable to cost savings in information technology software and equipment within the Information Management Systems Service; and under consultants ($357,700), attributable to cost-saving measures under consultants.

7. The total expenditure for the biennium 2014-2015 under investment costs is projected at $79,898,500, which would result in an underexpenditure of $3,815,100, or 4.6 per cent, mainly due to the delay in recruitment to fill the 20 new posts approved for 2014-2015, underexpenditure of $3,635,200 under contractual services resulting from the termination of the fixed-income advisory services of BNP Paribas as at 31 January 2015, the expiration and non-extension of the Murex software licence as at 31 December 2014 and the postponement of the selection of a hedge fund adviser until later in 2015, offset in part by an overexpenditure of $2,708,500 under operating expenses arising from the costs associated with the renovation of the new office space for the Investments Section and higher-than-anticipated rent for the new space.

III. Proposed budget for the biennium 2016-2017

8. According to table 3 of the report of the Pension Board, the requested resource requirements for the Fund for 2016-2017 amount to $178,055,500 ($180,714,200 after recosting), which represents an increase of 0.2 per cent when compared to the appropriations for 2014-2015 amounting to $177,666,500. The resources comprise requirements under executive direction and management ($14,822,400); programme of work ($112,765,000); support ($46,630,400); audit costs ($2,893,500); and expenses of the Pension Board ($944,200). According to table 3, the overall resources estimate of $180,714,200, after recosting, would be apportioned between the Fund ($158,464,500) and the United Nations ($22,249,800), under the relevant cost-sharing arrangement.

Recruitment and staffing

9. According to table 5 of the Board's report, the budget estimates for 2016-2017 provide for a total of 279 regular posts. The Board's proposals on posts, reflected in table 6 of the report, comprise the establishment of 21 additional posts, of which 20 are proposed under administrative costs (1 P-5, 1 P-4, 6 P-3, 1 General Service

(Principal level) and 11 General Service (Other level)), and one P-3 proposed under investment costs. The proposals also include the reclassification of six posts (3 under administrative costs and 3 under investment costs). The Advisory Committee's comments on the Board's post proposals are contained in paragraphs 14 to 20 and 27 to 33 below.

Vacant posts

10. During its consideration of the Board's report, the Advisory Committee enquired about the concerns expressed by the Pension Board regarding the 24 vacant posts in the Professional and higher categories (including 6 senior-level posts) as at 15 July 2015, particularly the posts of Chief Financial Officer, Director of the Investment Management Division, Chief Operating Officer of the Investment Management Division and Chief Information Officer, which were critical to the operations of the Fund and had been vacant for an extended period of time. The Committee was informed that the delays had been influenced by factors such as: the lengthy recruitment process; the time taken to classify posts in the Investment Management Division due to their specialized nature; as well as the challenge of attracting suitable candidates who possess the specialized skills required for those posts, a fact which often necessitated re-advertising the posts. As for the recruitment status of the posts, the Committee was informed that, in order to expedite its incumbency, the post of Chief Operating Officer (D-1) had recently been filled on a temporary basis. As for the post of Director of the Investment Management Division (D-2), the Committee was informed that the shortlisting process was in progress and that the vacant post of Deputy Director of Private Markets (D-1) would be filled after the Director of the Division had been hired in order to enable him/her to have input in the recruitment process. **Taking into consideration the already lengthy recruitment process, the Advisory Committee is of the view that there is no need to attach such conditions to the filling of this vacant post.** As for the vacant post of Chief Financial Officer (D-1), the Committee was informed that it had been decided to re-advertise the post. **The Advisory Committee reiterates its concern about the high number of vacant posts in the Pension Fund and urges the Fund to fill all vacant posts expeditiously.**

A. Administrative costs

11. The estimated requirements under administrative costs for 2016-2017 are described in paragraphs 67 to 136 of the report of the Pension Board. The overall level of resources proposed for the administrative costs under executive direction and management, programme of work and support amounts to $90,361,400 before recosting, reflecting a decrease of $638,900, or 0.7 per cent, compared with the appropriation for 2014-2015. The decrease, when broken down by resource category, is attributable primarily to resource reductions under contractual services, a large portion of which are due to the efficiencies realized from the deployment of the IPAS project in 2015 and the corresponding reductions in maintenance and support costs for discontinued legacy systems. The decrease, when broken down by component, is the net result of reduced requirements under programme support ($6,616,300), offset, in part, by increased requirements under executive direction and management ($144,200) and programme of work ($5,833,300) (see A/70/325, table 3).

Post resources

12. Under administrative costs, the proposed resources for posts for the period from 1 January 2016 to 31 December 2017 amount to $46,829,900 before recosting, an increase of $4,927,300, or 11.8 per cent, compared with 2014-2015. The proposed budget provides for 172 existing and 20 new established posts and the continuation of one extrabudgetary post. The budget also reflects the discontinuation of 10 temporary posts as at 1 January 2015. The Advisory Committee's comments and recommendations on posts are contained in the following paragraphs.

New posts

13. The Pension Board proposes the establishment of 20 new posts under administrative costs as follows:

(a) Under Executive Direction and Management, in the Office of the Chief Executive Officer, one post of Personal Assistant (General Service (Other level));

(b) Under programme of work:

(i) In the Office of Operations (New York), two posts in the Operational Review and Development Unit, one post of Benefits Officer (P-3) and one post of Benefits Assistant (General Service (Other level));

(ii) In the Office of Operations (New York), Client Services, Records Management and Distribution Section, six posts as follows: three posts in the Records Management and Distribution Unit, one post of Benefits Officer, Chief, Records Management and Distribution Unit (P-3), to be converted from an existing P-3 general temporary assistance position; one post of Benefits Assistant (General Service (Other level)); one post of Records Assistant (General Service (Other level)); and three posts of Benefits Assistants (General Service (Other level)) in the Client Services Unit, to be established as at 1 January 2017;

(iii) In the Office of Operations (Geneva), three posts as follows: one post of Chief, Client Communication and Liaison (P-5) in the Client Services and Finance Section; one post of Benefits Officer (P-4) in the Pension Entitlements Section; and one post of Finance Officer (P-3) in the Client Services and Finance Section;

(iv) In the Financial Services Section: one post of Senior Accounting Assistant (General Service (Principal level)) in the Payments Unit and one post of Cashiers Assistant (General Service (Other level)) in the Cashier's Unit;

(v) In the Risk Management and Legal Services Section: one post of Legal Officer (P-3) in New York, to be converted from an existing P-3 general temporary assistant position, and one post of Legal Assistant (General Service (Other level)) in Geneva also to be converted from an existing General Service (Other level) general temporary assistance position;

(c) Under the programme support component: (i) in the Information Management Systems Service: one post of Data Manager (P-3) and one post of Information and Communications Technology (ICT) Security Officer (P-3); (ii) in

the Executive Office, one post of Facilities Management Assistant (General Service (Other level)) and one post of Travel/Team Assistant, both to be converted from existing General Service (Other level) general temporary assistance positions.

14. **The Advisory Committee recommends approval of 13 new posts proposed by the Pension Board and recommends against the approval of seven posts for the reasons indicated in paragraphs 15 to 18 below.**

15. As regards the proposed post of Personal Assistant (General Service (Other level)), it is indicated in the supplementary information provided to the Advisory Committee that over the years the number of committees and working groups has increased, as has the number of documents to be handled and general administrative tasks to be performed, resulting in a significantly increased workload for the existing Meeting Services Assistant (General Service (Principal level)) who provides administrative support to the Chief Executive Officer and the Deputy Chief Executive Officer. The new post is therefore proposed to ensure that these functions are performed more efficiently and that client requests are addressed in a timely manner. **The Advisory Committee is of the view that the existing support provided by the Meeting Services Assistant (General Service (Principal level)) is sufficient for the requirements of the Office. Therefore, the Committee recommends against the proposed new post of Personal Assistant (General Service (Other level)) in the Office of the Chief Executive Officer.**

16. With regard to the eight new posts proposed for the Office of Operations in New York, it is indicated in the supplementary information provided to the Advisory Committee that the Fund has reached a critical juncture in its evolution following an unprecedented growth in its client population and scope of service demands over the last 16 years. The information provided included statistics showing a 73 per cent growth in the number of participants since 1998, as well as a seven-fold increase in the number of provisions included in the Fund's pension adjustment system since the inception of the Fund. According to the supplementary information provided, the eight posts proposed for the two sections (Pension Entitlement Section and Client Services, Records Management and Distribution Section) in the Office of Operations are meant to strengthen the foundation of the Fund's client servicing capacity in the intermediate term so that it will be better positioned to realize the longer-term vision of strengthening its client service capabilities, as articulated in the report presented to the Board in 2014.

17. **The Advisory Committee is of the view that while the client service demands of the Fund have grown, they do not justify the number of additional posts proposed. The Committee is of the view that 1998 is hardly an appropriate baseline from which to measure the growth in client service requirements to support the resource requests for the biennium 2016-2017. In addition, the Committee is of the view that it may be too early to determine the additional client service requirements for 2017, considering that the expected standardization of work processes under IPAS should have an impact on the efficiency and effectiveness of the Fund's client service operations, with the possible effect of minimizing the requirement for additional staffing resources** (see also para. 42 below). **In this regard, the Advisory Committee recommends against the approval of the following posts proposed in the Office of Operations in New York: one post of Benefits Officer (P-3) in the Operational Review and Development Unit; one post of Records Assistant (General Service (Other**

level)) (G-5) in the Records Management and Distribution Unit; and three posts of Benefits Assistant (General Service (Other level)) proposed with effect from 1 January 2017 in the Client Services Unit.

18. With regard to the one post of Senior Accounting Assistant (General Service (Principal level)) in the Payments Unit, Financial Services Section, the information provided indicates that the post will be involved with fundamental issues of the Payments Unit processing related to areas such as: the testing of data entry and audit processing; monitoring implementation of existing and future information technology projects, web applications as well as upcoming IPAS stabilization and potential updates of the International Public Sector Accounting Standards (IPSAS); providing guidance and training of new and existing General Service staff of the Unit; and providing support to the Chief of the Unit in analysing complex pension cases. The Advisory Committee notes, however, that no workload indicators have been provided to facilitate an objective assessment of the proposal for this post. In addition, the Committee notes from the organization chart included in the supplementary information provided that the staffing structure under the Office of the Deputy Chief Financial Officer/Chief Payments Unit, whose post is being proposed for reclassification to the P-5 level, includes two P-3, one P-2 and 10 General Service (Other level) posts, as well as a general temporary assistance provision for two General Service (Other level) positions for 18 months to provide post-IPAS stabilization support. **In view of the above information, the Advisory Committee recommends against the proposed new post of Senior Accounting Assistant (General Service (Principal level)) in the Payments Unit, Financial Services Section.**

Reclassifications

19. **The Pension Board proposes the reclassification of three posts under administrative costs, of which the Advisory Committee recommends against the reclassification of one post and recommends approval of the reclassification of two posts, as indicated in subparagraphs (a) to (c) below:**

(a) In the Office of the Chief Executive Officer, the reclassification of one post of Programme Officer (P-4) to Senior Programme Officer (Strategic Planning and Coordination) (P-5) to assist the Chief Executive Officer and the Deputy Chief Executive Officer in making sure that that key decisions and management responses to short- and long-term challenges are consistent with the Fund's mission, values and strategy and that the middle-managers understand their roles and responsibilities and implement the decisions of the senior managers and legislative bodies in the most efficient, coherent and consistent manner. **The Advisory Committee is of the view that the scope of tasks described in the supplementary information to the Board's report does not merit the upward reclassification of the post to the P-5 level and that most of the strategic planning and coordination functions could continue to be undertaken by the incumbent of the post at its current level. Therefore, the Committee recommends against the reclassification of the post of Programme Officer (P-4) to the P-5 level;**

(b) In the Financial Services Section, the reclassification of the post of Chief, Payments Unit (P-4), to Chief of Payments/Deputy Chief Finance Officer (P-5) is proposed in order to reflect the changes in the area of financial services provided to the retirees of the Fund such as: the need to apply the rules and

regulations of the Fund to properly manage the increased volume of financial transactions related to more than 72,000 monthly periodic benefits, totalling approximately $190 million per month (over $2.3 billion per year), payable in 15 currencies throughout the world to more than 190 countries and territories, including countries with limited banking structures; the monitoring of enhanced requirements of the financial services industry in order to ensure correct application of data used for payments execution; and the implementation of additional provisions of the rules and regulations of the Fund and the two-track pension adjustment system, which requires quarterly adjustments to more than a third of the overall periodic benefits payable. **The Advisory Committee recommends approval of the proposed reclassification;**

(c) In the Risk Management and Legal Services Section, it is proposed to reclassify the post of Senior Legal Officer (P-5) to the P-4 level as recommended by the Pension Board's budget working group. **The Advisory Committee recommends approval of the proposed reclassification.**

20. **Subject to its observations and recommendations contained in paragraphs 14, 15, 17, 18 and 19 (a) above, the Advisory Committee recommends approval of the Pension Board's post proposals under administrative costs for the biennium 2016-2017.**

Non-post resources

21. The proposed non-post requirements under administrative costs for the Fund in 2016-2017 amount to $43,531,500, compared with $49,097,600 in 2014-2015, which reflects a decrease of $5,566,200, or 11.3 per cent. The decrease in non-post costs is attributable primarily to the reduction in contractual services ($7,714,200), as described in paragraph 11 above, as well as reductions in consultants ($225,000), travel ($351,900) and supplies and materials ($22,100). The above decreases are offset in part by increases in other staff costs ($2,266,300), general operating costs ($1,548,100), furniture and equipment ($123,900) and hospitality ($1,900) (see A/70/325, para. 70).

22. **The Advisory Committee recommends the approval of the Pension Board's proposals for non-post resources under administrative costs, and further recommends that the non-post resources related to the proposed new posts referred to in paragraphs 14, 15, 17, 18 and 19 (a) above be reduced accordingly.**

Fraud prevention

23. The Advisory Committee notes from the report of the Board of Auditors on the financial statements of the Fund for the year ended 31 December 2014 that no case of pension fraud had been reported during the year. The report also indicates that there had been one case of presumptive fraud that was under review by the Geneva office, which had been identified through normal and operational control activities. The amount involved was $6,848.26. Upon enquiry, the Committee was informed that, in addition to regular audits conducted by the Office of Internal Oversight Services and the Board of Auditors, the Fund administration's fraud prevention programme included: promoting fraud awareness among staff and guidelines for the reporting and escalation of fraud related concerns; an annual fraud risk assessment conducted to identify and assess the Fund's exposure to fraud risk scenarios

identified in other pension funds and to identify control gaps; external risk assessments conducted by independent consultants at least every three years; and a comprehensive internal control system, which included a mix of preventive and detective anti-fraud controls, including the delegation of authority and the segregation of duties. The Committee's comments on fraud prevention in the Investment Management Division are contained in paragraph 37 below.

B. Investment costs

24. The proposed investment costs are discussed in paragraphs 137 to 162 of the report of the Pension Board. The overall level of resources for the Investment Management Division amounts to $83,856,400 before recosting, reflecting a net increase of $142,900, or 0.2 per cent, compared with the appropriation for the biennium 2014-2015. The net increase, when broken down by component, is mainly due to increased requirements under executive direction and management ($1,851,100) and programme support ($482,100), offset, in part, by reduced requirements under the programme of work ($2,190,400) (see A/70/325, table 23).

Post resources

25. According to table 4 of the Board's report, the proposed resources for posts under investment costs for the period from 1 January 2016 to 31 December 2017 amount to $25,975,900 before recosting, an increase of $3,880,900, or 17.6 per cent, when compared with the 2014-2015 appropriation. Table 5 indicates that the proposed resources would provide for 86 established posts, of which one is a proposal for a new post.

Post changes

26. The Board's proposals for posts under investment costs are summarized in table 6 of its report. The proposals include the establishment of one new post of Trade Execution Officer (P-3) in the Investments Section of the Investment Management Division; the reclassification of three posts (1 post of Legal Officer (P-4) to Senior Legal Officer (P-5); 1 post of Administrative Assistant (General Service (Other level)) to Senior Administrative Assistant; and one post of Accounting Assistant (General Service (Other level)) to Associate Accountant (P-2)); as well as the reassignment of three posts in the Operations and Information Systems Section. The observations and recommendations of the Advisory Committee on the above proposals are contained in paragraphs 27 to 31 below.

New posts

27. In the Investments Section of the Investment Management Division, it is proposed to establish one post of Trade Execution Officer (P-3), as explained in the supplementary information to the Board's report, to prepare the Division for the implementation and handling of more complex portfolios and trading strategies in order to minimize transaction costs, improve investment performance and maximize operational efficiency. It is further explained that the Trade Execution Officer will support the Trade Execution Team and be responsible for the timely, accurate, and efficient execution of securities as directed by the Senior Investment Officers and under the supervision of the Trade Execution Officer (P-4). **The Advisory**

Committee recalls that 20 new posts were approved for the 2014-2015 biennium in the Investments Management Division and that some of these posts, including at least one on the Trade Execution Team, are yet to be filled (see also para. 10 above). **The Committee also notes from the supplementary information that two posts of Trade Execution Officer (P-3) are being proposed for reassignment from the Operations and Information Services Section to strengthen the Team. The Committee is of the view that, until the impact of the additional staffing resources approved in 2014-2015 and the proposed post reassignments are determined, it would be premature to request additional resources for the Trade Execution Team at this time. Therefore, the Committee recommends against the approval of the proposed new post of Trade Execution Officer.**

Reclassifications

28. **The Pension Board proposes the reclassification of three posts under investment costs, of which the Advisory Committee recommends against the reclassification of one post and recommends approval of the reclassification of two posts as indicated in paragraphs 29 to 31 below.**

29. It is proposed to reclassify one post of Legal Officer (P-4) to Senior Legal Officer (P-5) in the office of the Representative of Secretary-General, based on the anticipated increase in the complexity and volume of legal advice required by the Division. According to the supplementary information to the Board's report, the volume of legal matters and the range of needs in that area are expected to increase considerably in the next biennium. **The Advisory Committee notes that the justification for the reclassification proposal is based on anticipated, not actual, requirements, which have not been articulated to any level of detail. Therefore, the Committee recommends against the approval of the proposed post reclassification.**

30. It is also proposed to reclassify one post of Administrative Assistant (General Service (Other level)) to Senior Administrative Assistant (General Service (Principal level)) in the office of the Representative of the Secretary-General, taking into account the growth in the responsibilities of the post in terms of complexity, diversity and technical competencies and skills over the past several years. According to the supplementary information to the Pension Board report, the post supports the financial and budgetary processes and payment of invoices, as well as providing administrative support to the staff of the Division, all of which require knowledge of the Division's budget, pertinent rules and regulations, including the fee payment schedules of external service providers as well as invoicing and procedures. **The Advisory Committee recommends approval of the proposed post reclassification.**

31. Finally, the Board proposes to reclassify one post of Accounting Assistant (General Service (Other level)) to Associate Accountant (P-2) to provide more professional expertise to manage the accounting and review of the private funds portfolio. This expertise is required in the light of the increase of investment in private funds, from 72 funds in 2012 to 128 funds as of 31 January 2015, representing an average market value of approximately 10 per cent (including cash for unfunded commitments) of the overall portfolio of the Division. It is further explained that the accounting treatment of new investment instruments, as required

by the recently adopted IPSAS, demands expertise that is not currently available within the Fund. **The Advisory Committee recommends approval of the proposed post reclassification.**

Reassignments

32. The Pension Board proposes the outward reassignment of three vacant P-3 posts (Data Security Administrator, Risk and Compliance System Officer and Information System Officer) in the Operations and Information Systems Section. Two of these posts are proposed for reassignment to the Investment Section as Trade Execution Officers (P-3) to support the anticipated growth in trading volume resulting from the establishment of an internal trading desk. One post is proposed for reassignment to the office of the Representative of the Secretary-General as a Contract Management Officer (P-3) to improve the management and monitoring of service provider contracts, following the decision to centralize the management of all of the Division's contracts. **The Advisory Committee recommends approval of the proposed post reassignments.**

33. **Subject to its observations and recommendations in paragraphs 27 and 29 above, the Advisory Committee recommends approval of the Pension Board's staffing proposals under investment costs.**

Non-post resources

34. The proposed non-post requirements under investment costs for the Fund for the biennium 2016-2017 amount to $57,880,500, which represents a net decrease of $3,738,100, or 6.1 per cent, compared with 2014-2015. The decrease is attributable mainly to reductions in the requirement for contractual services ($4,462,200) and consultants ($401,600), offset, in part, by increased requirements under other staff costs ($897,000), general operating expenses ($242,200) and supplies and materials ($70,100). The decrease in requirements for contractual services is mainly due to the planned reduction of non-discretionary advisory services, which is balanced by the increase in the staffing capacity of the Investment Management Division. **The Advisory Committee recommends the approval of the Pension Board's proposals for non-post resources under investments and further recommends that the non-post resources related to the posts referred to in paragraphs 27 and 29 above be reduced accordingly.**

Update on investments

35. According to the supplementary information to the Board's report, the Pension Fund's assets were valued at $52.8 billion at the close of 2014. Upon enquiry, the Advisory Committee was informed that the Fund had outperformed its long-term real rate of return objective and policy benchmark of 3.5 per cent in the calendar year 2013 (15.5 per cent) and underperformed it in the calendar year 2014 (3.2 per cent). The Committee was also informed that the market value of the Fund's assets had declined to $50.1 billion as at 28 September 2015, reflecting a negative 5.16 per cent year-to-date rate of return, due to the higher than normal volatility experienced in the financial markets during the year. The Committee was further informed that, while this volatility was expected to continue on a near term basis, the Fund remained focused on its long-term objective of a 3.5 per cent real rate of return, which it had achieved consistently over the past 50 years. In its report on the

financial statements of the Fund for the year ended 31 December 2014, the Board of Auditors observed that the Fund had underperformed its 3.5 per cent real rate of return objective during the year and had showed underperformance in the five-year period ended December 2014. The Board recommended that the Fund take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes. **The Advisory Committee concurs with the observations and recommendations of the Board of Auditors with regard to the Fund's investment performance, which has been below its overall policy benchmark in recent years. With the strengthened leadership of a full-time Representative of the Secretary-General and the benefit of increased staffing resources, as well as the acquisition of more efficient investment business applications, the Committee trusts that all efforts will be made to improve the Fund's investment performance and that measures taken in this regard will be reported to the General Assembly in future reports on the investments of the Fund.**

36. Upon enquiry, as to the diversity of the Fund's investments, the Advisory Committee was informed that geographic diversification had been identified as an objective in the UNJSPF investment policy statement of 31 March 2014, which specifically reported that, in order to ensure effective realization of its stated purpose, the long-term objectives of the Fund would be: (a) to preserve the principal of the Fund in real terms; (b) to obtain optimal return without undue risk, as defined in the risk appetite statement and risk tolerance; and (c) to diversify the portfolio with respect to the asset type, currency and geography. In this connection, the Committee recalls that geographic diversification was also addressed by the General Assembly in paragraphs 22, 23, 26, 27 and 28 of its resolution 69/113. Upon further enquiry, the Committee was informed that geographic diversity was a necessary component of an investment strategy for a global pension plan such as the United Nations Pension Fund, which, according to the information provided by the Fund's master record keeper, was invested in 39 countries directly through internal management as at 30 June 2015. The Committee was also informed that the Fund invests in an additional 75 countries indirectly through externally managed funds, which would bring the total of countries in which it invests to 114. Upon request, the Committee was provided with a list of countries in which the Fund is invested directly and indirectly. **The Advisory Committee encourages the Fund to continue exploring opportunities for geographical diversification, with due regard to the key criteria of safety, profitability, liquidity and convertibility. In that connection, the Committee recommends that the General Assembly request the Secretary-General to provide clear and detailed information on the geographical diversification of the Fund's investments in his next report to the Assembly on the investments of the Fund.**

Fraud prevention

37. Upon enquiry as to the existence of a fraud prevention policy in the Investments Management Division, the Advisory Committee was informed that the Division did not have a specific anti-fraud policy and that no cases of fraud had been reported, but that comprehensive controls were embedded throughout the Division's relevant policies and procedures to deter and/or detect such activity. These included: ethics training; a mandatory leave policy by which the staff of the Division were required to take 10 consecutive work days of leave (fraudulent activity can come to light when the individual responsible is not there to conceal it);

a zero tolerance policy on the receipt of gifts; and a policy to address personal trading in securities based on activity or information related to the Fund (so-called front-running). It was also indicated that these policies were supplemented by the United Nation's financial disclosure programme and data analytics installed to detect anomalous activity that is valuation specific. **Considering the high value of the Fund's investment portfolio, the Advisory Committee is of the view that the Secretary-General should consider establishing a comprehensive anti-fraud policy to better address the risk of fraud in the management of the Fund's investments.**

C. Other comments and recommendations

Travel

38. The total proposed requirements for official travel amount to $3,111,800 in 2016-2017, including both administrative and investment costs, reflecting a decrease of $431,200, before recosting, or 12.1 per cent, compared with the 2014-2015 appropriation of $3,550,000 (see A/70/325, table 4). The Advisory Committee notes from table 1 of its report that the Board projects an underexpenditure of $907,700 under official travel for the biennium 2014-2015, compared with the appropriation of $3,550,000 approved by the General Assembly in its resolution 68/247. The report indicates that the underexpenditure under administrative costs ($83,900) was due to the increased use of alternative means of communication, such as videoconferences and teleconferences (ibid., para. 12) while the underexpenditure under investment costs was due to the non-attendance of members of the Investment Committee at meetings, reduced travel due to the exigencies of service and the use of videoconferences (ibid., para. 20). The Committee therefore notes that the amount proposed for official travel for 2016-2017 reflects an increase of $469,500 before recosting, or 17.8 per cent, compared with the projected expenditure of $2,642,300 for the biennium 2014-2015, as indicated in table 1 of the Board's report.

39. Upon request, the Advisory Committee was provided with detailed information on the actual and projected travel for 2014-2015, as well as the budgeted travel for 2016-2017. From the information provided, the Committee notes the significant number of staff travelling on certain trips planned for 2016-2017 and the frequency of travel to particular destinations. **The Advisory Committee is of the view that further economies could be realized through a reduction in the number of staff on each trip, where feasible, and by combining some trips. In addition, the Committee trusts that the Fund will continue to apply the new standards of accommodation for air travel in accordance with General Assembly resolution 67/254 A and recommends that the Assembly request that the Board carefully monitor the use of resources for the travel of staff.**

Implementation of the Integrated Pension Administration System

40. Paragraph 16 of the Board's report provides an update on the implementation of the IPAS project and outlines the activities carried out during the 2014-2015 biennium. It is indicated that the Fund carried out the "implementation" and "testing, training and deployment" phases of the project and initiated the deployment of the solution in June 2015. In addition, the report provides an outline of the project activities that were accomplished during the period and also indicates

that work is ongoing to ensure that the system is able to fully and accurately process the Fund's payroll. It is also explained that, in light of the experience gained from user acceptance testing, it had been decided to add a "controlled parallel deployment" phase to the project in June and July 2015, allowing for dual entry of limited transactions in both the Pension Fund administration system (PENSYS) and IPAS. Upon further enquiry, the Committee was informed that it had been decided to operationalize IPAS as the official system of record as at 1 August 2015 after having successfully tested the system in parallel. The Committee was also informed that, as an added precaution, the legacy environment had been maintained until the end of September 2015 after which, it was completely decommissioned.

41. The Advisory Committee notes that, in its report on the financial statements of the Fund for the year ended 31 December 2014, the Board of Auditors observed that the delay in the implementation of IPAS beyond its originally scheduled date of June 2014 to June 2015 had resulted in a cost escalation of the project from $16.7 million to $19.94 million (see A/70/325, annex VI). The Board also observed that not all deliverables slated for June 2015, such as the testing of payroll reconciliation reports, had achieved a satisfactory level of performance by that date. **The Advisory Committee concurs with the concerns expressed by the Board of Auditors and trusts that they will be addressed in a timely manner.**

42. Upon enquiry with regard to the possible resource implications of the late implementation of IPAS, the Advisory Committee was informed that the IPAS project had been implemented to address the Fund's problems, identified as the fragmentation of processes and systems as well as obsolete technology. The project's main objective was to build service capacity to respond to the demands of the growing client population while reducing system costs and mitigating operational risks. The Committee was further informed that the expected efficiency gains related to IPAS had been achieved through savings against the recurrent cost of contractual services and information technology infrastructure. At the present rate of savings, estimated by the Fund at $3.3 million annually, or $6.6 million biennially, it was expected that the project cost would be fully recovered in approximately eight years. It was also explained that the gains envisaged at the inception of the project had not included the reduction in staffing resources because the Fund had been considered to be understaffed with regard to its client workload. This drawback, according to the information provided to the Committee, had been identified in a risk assessment concluded in December 2005 by an independent consulting firm and also in a high-level business case review, the results of which were reflected in a related study on IPAS presented to the Pension Board in 2008. **While noting the explanation provided by the Fund's representatives, the Advisory Committee is nevertheless of the view that further efficiencies and savings, beyond the reduced information technology infrastructure costs and contractual services, should be identified. In this regard, the Committee notes, for example, that the system's enhanced capabilities could provide a platform for the development of more efficient online self-service tools.**

Service delivery

43. During its consideration of the Pension Board's report, the Advisory Committee enquired as to whether any alternative models of service delivery had been considered by the Pension Fund in view of its growing client base and complexity of its service demands. In this connection, the Committee cited the

example of the global service delivery model that was being considered by the Secretariat of the United Nations. The Committee was informed that the Fund had a clear and concrete mandate, as well as concomitant fiduciary duty to its participants and beneficiaries: ongoing accrual and maintenance of assets and payment of long-term liabilities (beneficiary entitlements) from the Fund. The Committee was also informed that the Fund's operations were already centralized, with the division of responsibilities clearly defined between New York, the main office of the Fund, and Geneva, functioning as a satellite office, and that both followed a global strategy and approach. It was explained that there were no inefficiencies resulting from duplication, or wasteful use of resources, that needed to be addressed with an alternative service delivery model. It was further explained, however, that there was an urgent need to strengthen the Fund's client servicing capacity through the addition of posts to address the growing demand for outreach activities at various duty stations. **Nevertheless, the Advisory Committee is of the view that the Pension Fund should continue reviewing its existing operating structure and office locations to determine whether they optimally meet the Fund's growing service delivery demands.**

IV. Procedure for submission of the report of the Board of Auditors on the financial statements of the Fund to the General Assembly

44. During its consideration of the administrative expenses of the Fund, the Advisory Committee, upon request, received a detailed note from the Board of Auditors explaining its position regarding the procedure for the submission of its annual report on the financial statements of the Fund to the General Assembly. In the note, the Board of Auditors indicated that unlike its other reports, which are presented directly and separately to the Assembly through the Advisory Committee, its report on the financial statements of the Fund is annexed to the report of the Pension Board to the Assembly. The Board of Auditors also indicated that during its review of the practice conducted during its annual audit of the Fund's financial statements it had concluded that the practice was neither in consonance with the founding resolution of the Board of Auditors nor with the resolutions relating to the Pension Fund or its regulations and rules. Therefore, the position of the Board of Auditors, which it supported with references to relevant General Assembly resolutions and regulations of the Fund, was that its report on the Pension Fund should be presented directly and separately to the General Assembly through the Advisory Committee, as is the case with its reports on other United Nations entities under its audit jurisdiction.

45. Upon enquiry, the Advisory Committee was informed by the Board of Auditors that its position had been conveyed to the management of the Pension Fund as well as to the Pension Board at various stages, including during the deliberations on the draft financial rules of the Fund, and later to the secretariat of the Fund on 14 April 2015. Furthermore, the Committee was informed by the Board of Auditors that it had reiterated this position in its statement to the Pension Board at its annual session in July 2015 and that no response had been received from the Pension Board on the matter. Upon further enquiry, the Committee was informed by the representatives of the Pension Fund that the Pension Board had not yet received any proposal from the Board of Auditors reflecting the above position, that the matter had therefore not

been discussed by the Pension Board and its Audit Committee and that, therefore, the Pension Board had not reached any conclusion or position on the matter. Furthermore, the Committee was informed by the representatives of the Pension Fund that the Board of Auditors had not informed the Fund of its intention to raise the matter with the Advisory Committee.

46. **The Advisory Committee notes the views expressed by the Board of Auditors on the procedure for submission of its annual report on the financial statements of the Fund to the General Assembly and sees merit in the position taken by the Board. The Committee also notes the information provided by the Pension Fund in this regard. It is the Committee's understanding that a separate report of the Board of Auditors to the Assembly would not alter the current practice by which the report of the Board of Auditors on the financial statements of the Fund is considered within the same agenda item as the annual report of the Pension Board to the General Assembly. Similarly, it is the Committee's intention to continue providing its comments and recommendations on both reports as per the established practice, within the same agenda item.**

V. Membership of the Investments Committee

47. Article 20 of the regulations and rules of the Pension Fund stipulates that the members of the Investments Committee shall be appointed by the Secretary-General after consultation with the Pension Board and the Advisory Committee, subject to confirmation by the General Assembly. Accordingly, the Secretary-General conveyed to the Board and to the Committee the names of six regular members for reappointment for a three-year term and one regular member for appointment for a one-year term. **In accordance with established procedure, the Advisory Committee conveyed its views on the above proposals in a letter to the Secretary-General dated 23 October 2015.**

VI. Conclusions and recommendations

48. In his report on the administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/C.5/70/2), the Secretary-General indicates that, at the time of the preparation of his 2016-2017 programme budget proposals, the Fund's budget for the biennium 2016-2017 had not been finalized and that, when finalized, it would still be subject to review by the Pension Board and the General Assembly and that implications for the regular budget, if any, of the action to be taken by the Board and the decision by the Assembly in connection with the budget proposals of the Fund for the biennium 2016-2017 would be the subject of a statement of programme budget implications that would be submitted to the Assembly during its consideration of the report of the Board (ibid., para. 2). The Secretary-General further indicates that, at the time the Fund's budget estimates were prepared, the United Nations share of the administrative budget of the Fund was estimated at $23,869,500, based on one third of specific elements of the budget, of which $13,835,300, or 58 per cent, would be from the regular budget and the balance shared among the funds and programmes (A/70/6 (Sect. 1), para. 1.46). In his present report, the Secretary-General indicates that, on the basis of the Fund's latest data on the number of participants (A/70/325, annex IV),

the regular budget share would need to be revised from 58 per cent to 64.4 per cent (A/C.5/70/2, para. 5). Furthermore, the Secretary-General indicates that the United Nations share of the Fund's budget, as recommended by the Board, would be $22,249,800, of which the regular budget share at 64.4 per cent would amount to $14,328,900, hence his request for an additional appropriation of $493,600 after recosting, to be charged against the contingency fund (ibid., para. 6).

49. Upon enquiry, the Advisory Committee was informed that, should the General Assembly endorse proposals of the Pension Board that would result in an increase in the regular budget share (the most recent example being a charge of $1,865,500 in relation to the proposed programme budget for the 2010-2011 biennium (see A/C.5/64/2)), it has been the practice to propose any additional appropriation required as a charge against the contingency fund. As for the increase in the regular budget share of the administrative budget of the Fund from 58 per cent to 64.4 per cent, the Committee requested, but was not provided with details as to how this increase had been determined. **The Advisory Committee is not in a position to recommend approval of the additional appropriation of $493,600 proposed by the Secretary-General. The Committee trusts that the Secretary-General will provide the additional information in this regard to the General Assembly at the time of its consideration of the administrative expenses of the Fund for the biennium 2016-2017.**

50. **Subject to its recommendations contained in paragraphs 14, 15, 17, 18, 19 (a), 20, 22, 27, 29, 33, 34 and 49 of the present report, the Advisory Committee recommends that the General Assembly approve the recommendations of the Pension Board as contained in paragraph 170 of its report (A/70/325).**

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Agenda item 134
Proposed programme budget for the biennium 2016-2017

Review of the experience of the utilization of the contingency fund

Eighth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2016-2017

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the review of the experience of the utilization of the contingency fund (A/70/395). During its consideration of the report, the Committee met representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 22 October 2015.

2. In its resolution 41/213, the General Assembly created the contingency fund, stipulating in annex I to the resolution that, in off-budget years, the Secretary-General must submit an outline of the programme budget for the following biennium, which must contain an indication of, inter alia, the size of the fund expressed as a percentage of the overall level of resources. No set percentage was specified (ibid., para. 4). The criteria for the use of the fund, the period covered and its operation are set out in the annex to resolution 42/211 (ibid., para. 5). The report of the Secretary-General is submitted pursuant to section XII of resolution 69/262, by which the Assembly requested the Secretary-General to review the recent experience of the utilization of the fund in all its relevant aspects and to report thereon at the seventieth session.

3. As indicated by the Secretary-General in section III of his report, the General Assembly set the size of the fund for the biennium 1990-1991 at 0.75 per cent of the preliminary estimate for the biennium ($15 million). The percentage applied has since remained unchanged, while the actual nominal level has varied with the size of the approved outline amount, rising to $41.7 million for the biennium 2016-2017 (ibid., fig. I). The Secretary-General also indicates that additional appropriations were approved outside the fund for the bienniums 2006-2007 ($52.6 million), 2012-2013 ($8.6 million) and 2014-2015 ($5.1 million) (ibid., table 1). In that connection, the Advisory Committee was provided, upon enquiry, with current information on

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the charges against the fund approved for the biennium 2014-2015 and notes that the total charges amount to $40.196 million, with an available balance of $248,900[1] (see annex).

4. The four categories of reports approved by the General Assembly containing charges against the fund are set out in table 2 of the report of the Secretary-General and are as follows: programme budget implications; revised estimates for the Human Rights Council; revised estimates for the Economic and Social Council; and other revised estimates and supplementary programme budget requirements.

5. The Advisory Committee was informed, upon enquiry, that the operation of the fund had not changed since its establishment and that, as stipulated in the annex to resolution 42/211, additional expenditure was covered as it related to the biennium, based on the decisions taken in the year preceding the biennium and during the biennium. The Committee was provided with information on those charges against the fund approved in the year preceding the budget period, which is reflected in the table.

Charges against the contingency fund approved in the year preceding the budget period

(Millions of United States dollars)

Biennium	*Percentage of preliminary estimate*	*Size*	*Charges approved*	*Percentage of charges approved*	*Fund report*
2008-2009	0.75	31.5	19.3	61.3	A/C.5/62/22
2010-2011	0.75	36.5	5.2	14.2	A/C.5/64/14
2012-2013	0.75	40.5	26.7	66.0	A/C.5/66/13
2014-2015	0.75	40.4	18.1	44.8	A/C.5/68/20

6. Upon enquiry, the Advisory Committee was informed that, in preparing the proposed programme budget for a given biennium, the Secretary-General endeavoured to include all requirements envisaged for that biennium and did not exclude amounts that would later represent a charge against the fund. The Committee was also informed that that was in line with a prior recommendation by the Committee, in which it had expressed its view that it was the responsibility of the Secretary-General, as chief administrative officer of the Organization, to ensure that his proposed programme budget presented the fullest possible picture of the Organization's requirements for the coming biennium.

7. The Advisory Committee notes from the table that the percentage of charges against the fund approved in the year preceding the budget period has fluctuated considerably in recent bienniums, showing an uneven trend that may, in the view of the Committee, indicate that resource needs have not always been presented comprehensively in the budgets proposed by the Secretary-General.

8. **The Advisory Committee reiterates its previous recommendation that, while recognizing that additional resource requirements must be considered and that it is not always possible to fit new initiatives within the biennial cycle of the regular budget, it is the responsibility of the Secretary-General, as chief administrative officer of the Organization, to ensure that the proposed**

[1] See also resolution 69/262, sect. XIII.

programme budget presents the fullest possible picture of the Organization's requirement for any given biennium. The Committee continues to stress that, at all times, every effort should be made to incorporate additional requirements into the initial budget proposals (see also A/68/7/Add.22, para. 6).

9. The Advisory Committee was informed, upon enquiry, that, in addition to the fund, several other funding mechanisms provided the Secretary-General with flexibility in the use of resources: authorization to enter into commitments to meet unforeseen and extraordinary expenses; transfers between programme budget appropriations; authorization to enter into commitments for future financial periods; establishment of extrabudgetary posts funded at the level of D-1 and above; and limited budgetary discretion of up to $20 million per biennium on an experimental basis. Further details in this respect are included in the Committee's report on the limited budgetary discretion mechanism (see A/70/7/Add.5, annex).

10. **The Advisory Committee also recalls its view that the contingency fund is an essential budgetary instrument for addressing additional resource requirements and emphasizes the need to adhere to the provisions of General Assembly resolutions 41/213 and 42/211 on its use. The Committee continues to stress that, in the event of constraints being faced, the Secretary-General should bring these matters to the attention of the Assembly in a timely manner (see also A/68/7/Add.22, para. 7).**

11. **The Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General, taking into consideration the foregoing comments.**

Annex

Details of charges against the contingency fund approved for the biennium 2014-2015

(Thousands of United States dollars)

Potential charges	*Approved charges*	*General Assembly resolution*	*Title of resolution*
Programme budget implications: strengthening and enhancing the effective functioning of the human rights treaty body system	194.3	68/268	Strengthening and enhancing the effective functioning of the human rights treaty body system
Programme budget implications: third International Conference on Financing for Development	1 504.7	68/279	Modalities for the third International Conference on Financing for Development
Programme budget implications: programme of activities for the implementation of the International Decade for People of African Descent	1 080.6	69/16	Programme of activities for the implementation of the International Decade for People of African Descent
Revised estimates resulting from the requests contained in General Assembly resolution 69/2, entitled "Outcome document of the high-level plenary meeting of the General Assembly known as the World Conference on Indigenous Peoples"	101.8	69/2	Outcome document of the high-level plenary meeting of the General Assembly known as the World Conference on Indigenous Peoples
Programme budget implications: modalities for the implementation of resolution 68/304, entitled "Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes"	251.9	69/247	Modalities for the implementation of resolution 68/304, entitled "Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes"
Revised estimates resulting from resolutions and decisions adopted by the Human Rights Council at its twenty-fifth, twenty-sixth and twenty-seventh sessions, and its twenty-first and twenty-second special sessions	11 705.8	65/281	Review of the Human Rights Council
Programme budget implications: oceans and the law of the sea	161.8	69/245	Oceans and the law of the sea
Programme budget implications: investigation into the conditions and circumstances resulting in the tragic death of Dag Hammarskjöld and of the members of the party accompanying him	50.9	69/246	Investigation into the conditions and circumstances resulting in the tragic death of Dag Hammarskjöld and of the members of the party accompanying him
Programme budget implications: United Nations summit for the adoption of the post-2015 development agenda	1 314.9	69/244	Organization of the United Nations summit for the adoption of the post-2015 development agenda
Revised estimates resulting from the decisions contained in General Assembly resolution 67/290, entitled "Format and organizational aspects of the high-level political forum on sustainable development"	754.6	67/290	Format and organizational aspects of the high-level political forum on sustainable development
Programme budget implications: administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for the year 2013	195.7	67/257	United Nations common system: report of the International Civil Service Commission

Potential charges	*Approved charges*	*General Assembly resolution*	*Title of resolution*
Report of the Secretary-General: strengthening the Office of the Special Adviser on Africa	4 471.4	66/293; 69/244	A monitoring mechanism to review commitments made towards Africa's development; Organization of the United Nations summit for the adoption of the post-2015 development agenda
Programme budget implications: developments in the field of information and telecommunications in the context of international security	1 439.4	68/243	Developments in the field of information and telecommunications in the context of international security
Programme budget implications: Human Rights Committee	1 501.1	68/240	Human Rights Committee
Programme budget implications: United Nations Human Rights Training and Documentation Centre for South-West Asia and the Arab Region	2 166.6	68/241	United Nations Human Rights Training and Documentation Centre for South-West Asia and the Arab Region
Programme budget implications: implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat)	2 073.7	68/239	Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat)
Revised estimates resulting from resolutions and decisions adopted by the Human Rights Council at its twenty-second, twenty-third and twenty-fourth sessions (A/68/634)	4 741.9	65/281	Review of the Human Rights Council
Programme budget implications: follow-up to and implementation of the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (A/C.5/68/19)	762.6	68/238	Follow-up to and implementation of the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States
Revised estimates, under section 22, Economic and social development in Western Asia, and section 33, Construction, alteration, improvement and major maintenance, of the programme budget for the biennium 2014-2015 (resolution 68/247 B)	5 722.4	59/276	Section XI: Strengthened and unified security management system for the United Nations
Total charges approved against the contingency fund	**40 196.1**		
Available balance (as at 29 December 2014, see also resolution 69/262, sect. XIII)	**248.9**		